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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2327



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## EAST EUROPE REPORT

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GRAIN PRODUCTION PROSPECTS ANALYZED

Prague HOSPODARSKE NOVINY in Czech No 35, 3 Sep 82 pp 8, 9

[Article by Eng Jaroslav Leks, Dr Sc, member of CSAZ [Czechoslovak Academy of Agriculture], director of the Grain Research and Breeding Institute, Kromeriz: "Prospects of Grain Production"]

[Text] In view of the scope of their cultivation, minimum labor needs and relatively low cost of basic material and investment inputs, grain production is a very profitable branch of every agricultural enterprise. However, economic results not only of the enterprise, but of our entire agriculture depend on the level and intensity of grain production.

During the prewar period, grain production on 1 ha [hectare] required 275 hours of largely manual labor. Productivity was very low, approximately 7 kg of grain was produced during 1 working hour. At the present time, Czechoslovak agriculture needs only 22 hours of mostly machine work per hectare and approximately 175 kg of grain are produced during 1 working hour or 25 times more than in the past.

Present Basis

The diagram makes it clear that despite the considerable and constantly growing increase in grain production in the CSSR--the annual production exceeded 10 million tons in the Sixth Five-Year Plan--there will still be considerable inter-annual fluctuations affected by weather in the future.

The animal production sector--meat and egg production--is the biggest consumer of grains. In recent years for example, it consumed 7.5 million tons of grains from domestic production, and meat production has so far linearly increased every year regardless of the domestic crop of grains and other grain fodders in individual years. These disproportions which began to manifest themselves particularly since 1976, when annual meat consumption per capita exceeded 80 kg, had to be resolved by increasingly expensive imports of grain fodder mainly from the capitalist states. It is encouraging that these imports have registered a declining trend in the last 2 years. Agriculture itself effectively contributes to the reduction of the foreign-exchange deficit in this area. This deficit is partially compensated by export of some agricultural food commodities, such as malt, beer, sugar, hops and some types of special meat products



whose exports to developed capitalist states alone reached the value of Kcs 2.2 billion in 1980.

According to the present international prices on the capitalist markets, average annual grain production in Czechoslovakia of 10 million tons of grain equals a value of approximately \$2 billion.

Significant structural changes took place in Czechoslovak grain production during the postwar period. There was a considerable increase in intensive types of grain crops--winter wheat and spring barley--making best possible use of the existing breeding conditions at the expense of types with smaller yields--winter rye and oats. The harvest areas of grain crops declined (approximately 700,000 ha) so that from the prewar 60.6 percent they were grown on 53.6 percent of arable land in the Sixth Five-Year Plan. On the other hand, however, the yields more than doubled. If we take the average yield of the most important agricultural products during the 1934-1938 period as 100, we arrive at the following index of increase in the last 5-year plan (1976-1980):

<u>Variety</u>	<u>Index of increase</u>	<u>Yield in tons/ha</u>
Winter wheat	235	4.06
Spring wheat	227	3.33
Spring barley	220	3.74
Corn	212	4.54
Rye	195	3.12
Winter barley	194	3.71
Oats	182	2.95
Grains, total	230	3.84
Potatoes	123	16.60
Sugar beet	116	33.20
Legumes	106	1.59
Fodder grown on arable land	165	7.26

Table 1.

#### CSSR Grain Production Structure During 1934-1980 Period

Variety	Sown area (1,000 hectares)		Percentage of arable land		Average yield in tons/ha	
	average		average		average	
	1934-38	1976-80	1934-38	1976-80	1934-38	1976-80
Wheat	882	1,226	15.7	25.1	1.71	4.03
Rye	983	185	17.5	3.8	1.60	3.12
Winter barley	6	32	0.1	0.7	1.91	3.71
Spring barley	647	872	11.5	17.8	1.70	3.74
Oats	749	143	13.4	2.9	1.62	2.95
Corn for grain	105	161	1.9	3.3	2.14	4.54
Grains, total	3,372	2,619	60.1	53.6	1.67	3.84

The biggest increases in yield were achieved only in grain crops and the biggest increase among them in our most common product--winter wheat. Some products, particularly root crops and legumes have registered only a very small increase and their yields virtually stagnate. The necessary production increase has not yet been achieved also in those products for which appropriate varieties have not yet been developed or modern variety breeding technologies are not available that conform to the existing conditions of agricultural large-scale production.

#### CSSR Place in World Production

Grain crops are grown on approximately 740 million ha, that is approximately half of the present area of arable area in the world with average yields of 2.16 tons/ha and total production of approximately 1.6 billion tons (1974-1981 average). In the actual grain production structure, grain crops for fodder claim the biggest share--they account for approximately 50 percent--followed by wheat with approximately 30 percent.

#### Countries With Most Intensive Grain Production (1976-1980 average)

<u>Country</u>	<u>Harvest area (million ha)</u>	<u>Yield tons/ha</u>
Netherlands	0,233	5.28
Belgium	0,431	4.51
Great Britain	3,784	4.41
Switzerland	0,156	4.37
France	9,466	4.33
Hungary	2,942	4.27
Ireland	0,383	4.27
FRG	5,026	4.23
Austria	1,012	4.21
United States	63,645	3.91
Denmark	1,824	3.88
CSSR	2,619	3.84
Bulgaria	2,089	3.66
GDR	2,054	3.59
Sweden	1,497	3.59

The biggest grain producers in the world are the United States accounting for 18 percent, China for 14 percent and the USSR for 13 percent in world production. Major exporting countries (Canada, Argentina, Australia) account for only 5.5 percent of world production. A somewhat larger share is claimed by the countries of West Europe, 9.5 percent, and the European socialist countries, 6.2 percent.

In worldwide grain production, the CSSR accounts for 0.35 percent of harvest areas, 0.61 percent of production, while its yield exceeds the worldwide average by 76 percent. In other words, Czechoslovak grain production is very intensive in comparison with the world average.

The intensity of grain production in the CSSR is fully comparable with the economically most developed countries which operate in much more favorable climatic conditions and can obtain good return on investments affecting production intensity. Some countries, such as France, the FRG, Austria, Hungary and particularly the United States, achieve high intensity of grain production primarily by growing corn for grain on considerable areas. This exemplifies one of the possibilities which Czechoslovak grain production has precisely in increasing intensity of production of corn for grain.

On analyzing the causes of the general Czechoslovak grain production increase, it can be said that it was achieved during the last 5-year plans exclusively through intensification--by increase in the yields (while grain crops were grown on 54.5 percent of the arable land in the Fifth Five-Year Plan, this ratio was reduced to 53.6 percent in the Sixth Five-Year Plan).

Among the intensification factors, the following were of decisive importance:

--further increase in consumption of industrial fertilizers and pesticides, and a larger number of more efficient combines;

--comprehensive production of progressive scientific-technological findings and their rapid and mass application in a synthetic form.

In the implementation of grain-growing programs, science has become a mass, effectively applied productive force. For this reason, its contribution to Czechoslovak grain production could be characterized at the 14th CSAZ [presumably CPCZ] Plenum by Comrade Milos Jakes, member of the presidium and secretary of the CPCZ Central Committee as follows: "The entry of science into the area of grain cultivation was perhaps the biggest effect produced by science in our country after World War II."

#### Results of Sixth Five-Year Plan Analyzed

A more rapid increase, on a priority basis, in the intensity of crop production is the foremost task of Czechoslovak agriculture. This is due to its end use, since almost 80 percent of crop production is used as fodder. Because of a number of objective material, technical and agroclimatic factors and subjective influences, this immensely complex goal has not been completely accomplished. This was due to the lack of technical organization and varying level of application of scientific-technological findings in production. This can be documented also by the results achieved in grain production during the Sixth Five-Year Plan.

In comparison with the Fifth Five-Year Plan, the yield index for grain crops increased 11.3 percent and 7.8 percent for potatoes. Rape did not register any increase, while sugar beet declined 4.6 percent and legumes 4.8 percent. Among the most important agricultural products, only grain yields increased during the Sixth Five-Year Plan even despite the former big increase in production intensity. Nevertheless, the targets set for the planned grain production volume were not met.

Among the principal reasons, there are several which are generally applicable: --there has been a considerable interannual fluctuation in yields caused by weather (the areas sown with grain in the CSSR are on the borderline of two-- littoral and inland--climates and this causes their considerable difference every year). The annual difference between the maximum and minimum yield amounted to 0.69 tons/ha (during the 1976-1980 period).

In the last 21-year period (1961-1981), there were seven agroclimatically very favorable six average and eight very unfavorable years for grain production. Due to the different weather conditions in individual years, the fluctuations in yields amounted to 15-13 percent at the present level of our grain production.

From the agroclimatic standpoint, there are four critical periods in the vegetation, growth and development of grain crops in the CSSR. Depending upon their intensity they can significantly limit yields. Their principal manifestation is the long-term precipitation deficit. Low temperatures in early spring delaying vegetation can also significantly reduce the yields of principal spring crops. On the other hand, excessive precipitation occurring at higher altitudes causes mass and more frequent occurrence of fungus diseases, lodging, delayed maturing and harvesting losses;

--the failure to sow and particularly to harvest grains from planned areas every year also accounts for not meeting the plan production targets. The difference between the planned and actually harvested area amounted to almost 650,000 ha during the Sixth Five-Year Plan which at the average yield of 3.84 tons/ha represented a loss of approximately 2.5 million tons of grain. While the difference between planned and actual production (53.3 million tons minus 50.3 million tons) amounted to approximately 3 million tons, smaller sowing areas and particularly the failure to harvest grains from all planned areas accounted for almost 85 percent of the loss;

--the effect is also felt of long-term negative factors caused both by the shortages of materials and equipment, and organization and management of actual technological processes. Among them, for example, has been the shortage of modern efficient sowing machines and the resulting low quality of sowing. Another was the fact that considerable areas were sown after the expiration of agronomic deadlines: approximately 2.5 million hectares or 45 percent of the entire area of winter wheat were sown after the expiration of agronomic deadlines during the Sixth Five-Year Plan and yields were thus reduced by a minimum of 0.2 tons per hectare. If the delayed sowing had been prevented, at least 500,000 more tons of grain could have been produced during the 5-year plan.

The relatively high average statewide yields of grain, however, conceal the considerably varying intensity in individual production types.

An analysis of yields in individual production types during the Sixth Five-Year Plan (Table 2) reveals that the most intensive is the corn production type in the SSR which is noted for ample sunshine, warmer weather and a longer vegetation period. Moreover, a considerable part of this area is irrigated.

Table 2. Czechoslovak Grain Production Level in Individual Production Types  
1976-1980 Average

	CSR			SSR			CSSR		
	Area	Yield	Percent	Area	Yield	Percent	Area	Yield	Percent
	1000 ha	t/ha	of arable land	1000 ha	t/ha	of arable land	1000 ha	t/ha	of arable land
			tion to average			tion to average			tion to average
Corn	81.0	4.23	114	461.1	56.5	4.61	542.1	56.6	4.56
Beet	609.2	4.21	113	148.1	58.2	3.99	757.3	54.2	4.10
Potato	715.4	3.52	95	117.6	56.2	3.40	833.0	54.6	3.50
Oats	242.2	3.36	90	42.9	40.1	3.14	285.1	47.7	3.33
Mountain	111.8	2.81	76	88.4	46.8	2.89	200.2	48.4	2.84
Overall average	1759.6	3.72		858.1	54.5	4.09	2617.7	53.5	3.84



For example, 77,000 ha in the West Slovakia Kraj are irrigated. On the other hand, in the CSR, where the corn production type is located only in one part of the South Moravia Kraj, the scope of irrigation is small--23,000 hectares. As a result, the intensity of crop production does not reach such a high level there.

The second most intensive is the beet production type. In the CSR in particular, it is by sown area (757,000 hectares)--besides the potato production type, which accounts for the largest area of grain crops (833,000 hectares)--among the most important grain crops. The potato production type, however, shows a distinctly lower intensity which further declines in the potato-oats type and is noticeably lowest (2.81-2.89 tons per hectare) in the mountain production type. The main cause of such big differences in yield is the low fertility of soil. The growing of grains at the altitudes above the potato production type is usually not limited by lack of moisture, but by the amount of basic inputs which can improve the lower fertility of soil in a supplementary way.

#### Preconditions of Further Development

To produce 55 million tons of grain during the Seventh Five-Year Plan is a demanding task. It can be successfully implemented, however, if two basic prerequisites are met:

1. Maintaining the grain harvest area at least on the level of the Fifth Five-Year Plan. Beginning 1978 it was gradually reduced in the CSSR. While grain crops were grown on the average area of 2.71 million hectares during the Fifth Five-Year Plan, the corresponding figure for the Sixth Five-Year Plan was only 2.62 million hectares. This situation seriously threatens the fulfillment of tasks of the Seventh Five-Year Plan.
2. Increasing the yield of grain crops and of the nutritive and technological value of grain.

From the national economic standpoint it is, therefore, very important which intensification factors of a material and technical nature are decisive for a further increase in production and quality of grain crops, to what extent they are available to the national economy and to what extent they can effectively affect the increase in yields during the next period.

The analysis of the more than double increase in yields since the First Five-Year Plan reveals that the structure of yield elements has significantly changed. There has been a significant increase particularly in the decisive element--the number of spikes per unit of measure. The fundamental goal of all breeding technological measures is the attainment of the optimally highest number of spikes with a high number of grains with maximum substance.

Productive forces of a biological nature must be the most effective, most rational, most accessible and therefore also decisive factors for achieving the principal goals in grain production. This includes particularly even more rapid development and mass use of new efficient varieties and permanent attention to increasing the fertility of soil. Technological procedures together with material inputs in grain production must help the most effective use of these biological production tools.

The innovation of varieties in Czechoslovak grain production accelerates from year to year. While a variety was used in grain production for 10-15 years or even longer during the previous periods, it is used only for 3-5 years now.

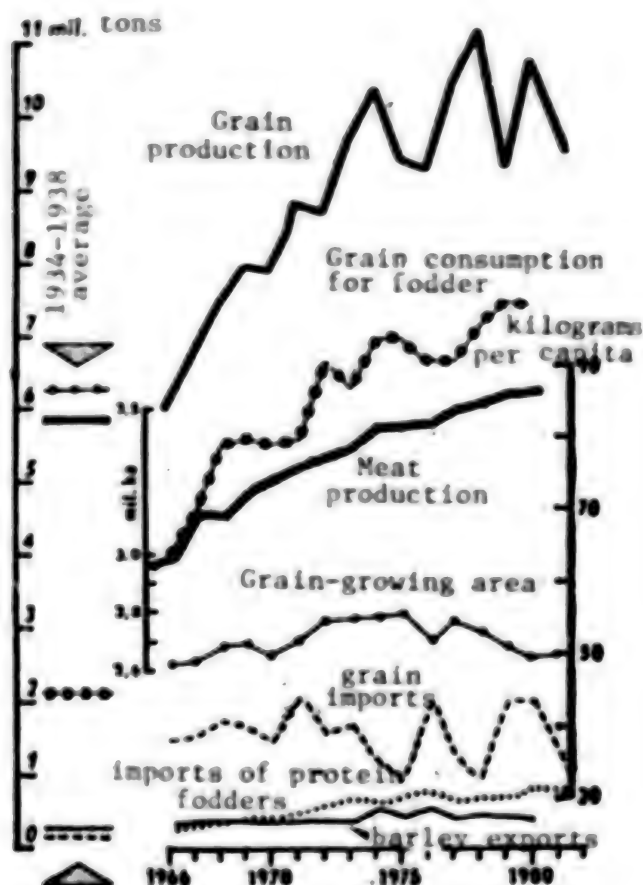
The analyses of grain production in comparable agroecological conditions, however, reveal that the key intensification factor--an efficient variety--is used only to 40-60 percent of its yield potential in our country. Although this represents a rather high coefficient of exploitation in worldwide terms, the further increase in yields and effective utilization of other important intensification factors (industrial fertilizers, pesticides) lies in improving the entire set of measures aimed at the higher fertility of soil and elimination of basic shortcomings in quality, early soil cultivation and other operations during the vegetation period. These areas still are among the weakest spots in the implementation of grain production programs by many agricultural enterprises. In addition to efficient varieties and consistently applied breeding technologies, it is the effective use of chemicals which irreplaceably contributes to the high intensification of crop production. The elimination of industrial fertilizers and pesticides would result in a 50 percent or even bigger decline in yields. This would logically cause worldwide hunger.

The development of new pesticides is a lengthy and economically demanding process. Their production in the capitalist states is usually concentrated in a few concerns possessing big capital. To a considerable extent, Czechoslovak agriculture still depends upon imports of pesticides exclusively from the capitalist states with all the economic consequences, particularly rapidly rising prices. Only about two-thirds of Czechoslovak needs are covered by these imports. Their rational use, however, will be imperative for further production intensification. For example, those agricultural enterprises which achieve a long-term average yield of 5-6 tons per hectare possess perfectly integrated grain protection within the comprehensive cultivation technologies.

Regardless of the intensification level already achieved, Czechoslovak grain production has a realistic possibility of further increasing production volume. Pace and rate of further intensification of grain production, however, will depend primarily on the scope of the assortment and prompt and effective use of still inadequate material and technological inputs which will be made available to agriculture by individual sectors of the national economy, and also on scientific management and organization of their production which would increase and most effectively use the agrobiological potential of soil fertility.

For this reason, the function and consistent fulfillment of specific society-wide tasks of individual sectors within the now forming statewide agricultural-industrial complex is very important.

# Production, Imports, Exports and Consumption of Grains and Protein Fodders in the CSSR



## Should We Change the Structure?

The present structure of grains essentially meets the basic needs of Czechoslovak agriculture and of the national economy, and creates favorable possibilities for further production intensification and improvement of the nutritive and technological value of grain.

Nevertheless, views are being expressed which propose to substantially reduce grain harvest areas, to replace it by growing perennial fodder on the arable land and by fodder root crops, and to carry out some variety changes in the actual grain crop structure in favor of winter barley, particularly at the expense of winter wheat.

The implementation of these intentions, however, is affected by some fundamental, salient considerations:

--to try to successfully accomplish the basic goal-oriented tasks in total grain production which are specified by the national economic guideline is unrealistic if the grain harvest areas are to be further reduced;



--neither at the present time nor in the foreseeable future will the organizational, material and technical prerequisites be created which would permit a significant increase in the sowing areas for clover and root crops used as fodder, primarily because of long-lasting problems in production of seed for these products;

--considerable problems persist because of the big losses in harvesting and storage of bulk fodder. If their sowing areas are substantially expanded, these problems could no longer be controlled.

Much more effective measures should be enacted in the comprehensive intensification of bulk fodder production in order to reduce the frequently undue pressure of animal production on grain production.

Despite some organizational and technical advantages, winter barley has not yet reached such an intensity of yields as would justify its mass expansion.

#### Improving Grain Quality

In order to meet the present needs of the food industry, CSSR must produce every year approximately 1.8 million tons of wheat, 800,000 tons of barley for malt (including 350,000 tons of barley of high quality for malt to be exported), 400,000 tons of rye and 30,000 tons of oats.

Considerable progress has been made in the last 10 years toward self-sufficiency in wheat for food (from 50 percent to approximately 80 percent, and to 100 percent in 1981). The variety structure, however, somewhat deteriorated during this period, particularly by use of some West European and South European varieties of winter wheat whose quality does not fully match the Soviet Mironov varieties. On the other hand, however, there was a partial improvement in territorial zoning of production and purchase, since wheat for the food industry is now grown and purchased in the areas with the most appropriate climatic and soil conditions, and necessary quality of the grain.

The so-called strong wheats with the technological value of the grain best meeting the needs of the bakery industry are produced mainly in southern and southwestern Slovakia, southern Moravia and some areas with a trace of rain in northwestern Bohemia.

With the consistent application of territorial zoning, appropriate variety structure and correct variety technology, enough raw material for the food industry can be produced.

In increasing the technological and nutritive value of the grain, however, significant reserves still exist in the existing systems of cultivation technologies (for example, additional fertilizing with nitrogen), in the organization of purchase and in the very technologies of grain processing.

The problems in quality of wheat for food thus had to be resolved in unfavorable years partly by withdrawals from state reserves and partly by complex imports.

The restriction of imports makes it imperative to begin with the growing of hard wheat for dough on approximately 10,000 hectares in selected enterprises of the corn production type. In view of the noticeably lower yields of these varieties of wheat, the profitability of their growing must be resolved first.

Czechoslovakia has been traditionally among the most important producers of malt whose quality has always been highly appreciated in the world and taken as the standard of quality. Of the annual production of approximately 540,000 tons of malt, on the long-term average approximately 200,000 tons are exported to dozens of states in the world. In addition to the major export partners in the socialist community (the USSR, Cuba, the GDR) considerable quantities are exported to Japan, FRG and Switzerland. Moreover, approximately 2 million hectoliters of beer are exported every year. For these reasons, the problem of production of high-quality malt barley is of extraordinary importance.

The territorial zoning of production is effectively carried out in regard to barley for malt, which is concentrated in the beet, and partly also in the more intensive potato, production type. The present variety structure creates relatively favorable conditions for producing the necessary quantity of the quality grain. Only 23-25 percent of total barley production is consumed for malt production. Nevertheless, serious problems are occasionally encountered in the quality of raw material for high-quality malt exports. These problems have a common denominator in the incentives for agricultural production, system of purchase and in the processing industry itself.

Likewise, the increase in rye production is an urgent problem in view of its dietetic and consumption requirements for production of dark rye breads and the fact that the bakery industry does not fully satisfy the higher requirements of consumers.

In view of the fact that approximately 70 percent of grain production of all types of grain crops are used as fodder, it is very important from the national economic standpoint to increase its nutritive value in every possible way.

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MARJAI EXPLAINS ECONOMIC SITUATION, POLICY

Budapest MAGYAR HIRLAP in Hungarian 9 Sep 82 pp 7, 8

[Excerpts from a speech by Jozsef Marjai, deputy prime minister: "In the Service of Equilibrium"]

[Text] As we have reported, Jozsef Marjai, deputy prime minister, delivered a speech for the central observance of Miners' Day at Pecs. We give the text of the most important economic-political portions of what he had to say:

We have arrived at the difficult, demanding phase of our development which raises the most requirements, a phase which no country has easily solved as yet in the course of its development. The fact is that we have arrived into this era in a way that saw the development of extremely difficult external conditions. Before too long, it will be a decade that we are living in a difficult world: two explosions of energy and raw material prices and the deepening of the world economic crisis have placed on us serious burdens given our endowments. The losses we have suffered from this are great, and they are continuously being repeated and are increasing. The consequence of all this is that the value of an identical national achievement is not recovered. The capitalist world is living through one of its most serious crises in history. We also feel its effects, because these countries are important markets for our export products.

The socialist world with which we are closely intertwined and with which we are closely united in solving tasks is striving with similar problems and bears a heavy international burden. Our cooperation with the socialist countries at this difficult time is irreplaceable and indispensable and forms a firm support for us today. But since all of us are in the same situation, our sister countries do not have surpluses that can be made available to us. And still, the strengthening and development of the cooperation--the guarding of all that we have jointly achieved--is an important task our own, for these make up the power reserve of our development.

That which is taking place in world politics is not favorable to our efforts either. Our policy and our system is such that the essential condition for our policy, this system, and this people is peaceful coexistence and peaceful

relations. For us it is advantageous if the relations are smooth around us and in the border region, and contacts are as free as possible in every area--in science, in culture, in art and in human relations. It is therefore essential that we should work for such relations, that we should do everything possible to this end together with our allies, the Soviet Union. This is our direct and greatest national interest.

Hungary is a country with an open economy, it cannot exist or develop without broad relations. If the conditions of our foreign economic relations change and if they are permanently narrowed, we will be unable not only to advance and progress further but to keep the level we have achieved, and our development capability will break down. Therefore, in our international activity, in politics, in economy we will use every possibility--and I stress, in every direction--to confront those efforts which are intended to narrow relationships, normal contacts, or to limit or eliminate the development of mutually advantageous relations. This activity is not a small matter, and it is of greater and broader scope than might come from a country of our size, but due to the politics and as a result of the politics to the situation in which our country finds itself, our activity is not useless. This is a purposeful contribution to making conditions in the neighboring area, in Europe and in the world more favorable for us.

What we call the political and economic stability of the country, its national unity--its good public attitude--is based on the joint activity of society. This is the greatest contribution to the improvement of international relations and this is how we can have the greatest effect. Its maintenance and strengthening is extremely important to us: national unity must be constantly formed and reformed, strengthened in joint work and activity. To create this situation we need above all a purposeful, resolute attitude that reckons with reality, and action in the same direction. The role and importance of such national unity under present conditions is greater today in the present world than it was formerly. It is our essential interest that every citizen of the country should recognize his personal responsibility in this connection, and to realize it in attitude and action where he lives and works.

The central problem in both our work and the conditions of our existence is the fate of the economy, and the fulfillment of its tasks and goals.

What were we able to do in recent years amid the constantly deteriorating world-economic and world-political conditions? The data and the facts show that following the December 1978 meeting of the Central Committee and in accordance with the resolutions of the 12th Congress, we did a great deal toward adapting more rapidly and flexibly to the world and to counter the external conditions which were changing unfavorably for us. Despite the very short time, changes worthy of note and of high value occurred in the economy and in every area of social activity.

Even amid these severe conditions we protected our quality in international judgment and the fact that we are correct and worthy members of our alliance system, the integration of the socialist economy, and respected partners

throughout the world beyond the limits of this community. In this respect, our positions became strengthened because many countries that can be compared to ours could not stand the test in this way--and this is a valuable national achievement that should be highly regarded. Despite the damage and severe consequences of the world economic crisis, we increased our national income--to a more modest extent, it is true, than a decade ago--but even this modest rate holds a favorable place nowadays in world rankings, particularly because these are actual achievements. In this period, the level of management improved genuinely; we made significant advances in many areas, for example, in energy management as well as others. In this critical period we protected our foreign economic equilibrium, payment ability, and together with this our place in the world. This is essential, for otherwise we would lose the development possibilities of our foreign economic relations, we would not be able to maintain the level we have achieved, and all this is necessary for the further development to which we hold fast.

The appreciable result of our efforts is that our capitalist exports are exceeding our imports to an increasing extent--this has not happened often in Hungarian history, particularly in eras of crisis. In this word and in this struggle, we have shown in recent years as well that the strained tasks are solvable, and with this we became stronger, more inured and more competitive. The product structure is also changing in an encouraging way--hence we have advanced in many respects and this is a great value, we must strengthen this. If we consolidate our positions and conditions change in the world, and these also will be at least a little better, then we will be able better to exploit these to our advantage with greater inclination and capability. It is likewise a discernible result that we protected the living standards of our people and developed in many respects our social institutions. It is not superfluous to recall all this when we must now do more for all this as compared to earlier efforts. And every sign indicates that we will have to prepare ourselves for even more difficult periods; we knew all this and we did not conceal it. Unfortunately, all this has been born out and perhaps it does not even make us feel adequately the difficulties with which we must struggle to improve the equilibrium and protect our payment ability in the interest at the same time of implementing our living standard policy.

The events in the months that have passed thus far this year give us various, noteworthy lessons and evidence. From the first of January to now we have achieved an export surplus of 200 million dollars in convertible currency--this much "came together" at best in the year-end hurry of the "active" years, and in the same period of time in 1978 our deficit in convertible foreign trade was more than 800 million dollars. For this year's balance surplus we had to export substantially more than before. This in itself gave us an awareness of the weight and strain of the task: in the remaining months we shall have to increase, and significantly, the balance surplus in convertible trade. Recently, our credit possibilities have been reduced in comparison to our earlier possibilities, and at the same time in the case of import-export items a significant price gap has developed as a consequence of the crisis; and the marketing conditions of



Hungarian products in certain capitalist countries are deteriorating further because of protectionism and discrimination. We cannot counter this with certainty through the exclusive use of increased exports. The government has even been compelled in harmony with undertaken international agreements to impose import restrictions to improve the economic equilibrium. Stricter import management, however, must serve only to select out imports which are regarded as temporarily dispensable, and it must obstruct economical, export-oriented production or harm the population's supply. We must repay those debts and interest charges which are incurred between 1973-1978: in 1982 we will have to pay about as much in interest as our total capitalist export amounted to a decade earlier.

This in itself is a very great sum, a tremendous burden, one which we must pay out without receiving any commodities in exchange. But this is the basic condition for our maintaining our foreign economic ties, expanding our cooperation, and remaining in the blood circulation of international work distribution. We cannot put ourselves in the position of regarding as not having happened all the consequences of previous years including the historical indebtedness, circumstances, and perhaps the mistaken developments. The present task-system is given--we must accept this--and this is at the same time the essential condition for guarding our results thus far and our achievements. If we were not to undertake all these things, we could fall decades behind in development. Hence this is the fact, the determining situation, we must reckon with this--and we must put up with it. This is why we must conduct the strictest management possible and attain an actual surplus achievement in order to hold our ground.

Perhaps it is not an exaggeration to put it this way--we are not speaking simply of an economic task but of the defense of policy, the economy and living standards, of a task that calls for national unity, is of national dimensions, with its execution linked to the interests of the entire society and the people. The execution of this task has many conditions of an essentially political nature. We need more harmony, unity, and action coordination in joint activities. We need harmony in the work of government, management, the megye, village and social organs, institutions, and producer collectives. Also in the system of relation with one another we need substantially greater harmony, substantially greater discipline and method, and a relations system with substantially fewer hitches, superfluous delays and omissions. A candid democratic policy that reckons with realities and shares in the problems--this must be strengthened at every level. All this together is not merely a task--it is at the same time the power reserve of our actions. We must see that policy is not merely the task of the Central Committee and government alone but of everyone in this country who works, holds office, and works with or for people, and the fate of men and his work depends on it. At the same time this requires resolute, thoughtful leadership which assures the conditions and possibilities of creative work and surplus achievements, and at the same time requires it.

We must say it, our government has many tasks and much to do. It acted swiftly, much more swiftly than formerly. When time requires rapid changes--loss of time may represent serious material losses--we cannot demand

maintenance of the tempo we have become accustomed to. We cannot do things out of custom as when--with some exaggeration--matters proceeded on their own. In this period the managing organs had to improve--and will have to continue to improve in the future--synchrony between the government and other organs, wherever decisions are carried further and carried out. Unfortunately, frequent ruptures and distortions are still not an isolated phenomenon in the decision-making processes. By the time the decision is implemented, it frequently loses something from its original goal and effect. Management and leadership must strive--now much more than ever before--for the preparation of economic plans that take real conditions, circumstances and possibilities into account and of regulations that are in harmony with such a plan. It is necessary to have regulation that realizes strict requirements because some of this year's problems also rose from the fact that management requirements and conditions for acquiring an income are lax as compared to actual conditions set by life. A more vigorous incentive and economic compulsion would have resulted in greater achievements in the field of management in the months that have passed this year, and we could have more easily countered the additional burdens that developed on us from the crisis and the disturbance of the normal economic and financial relations.

Firmer incentive and prompting to better management is the task and responsibility of the government. This has to be realized with credit policy, the execution of central programs, and many other available means--basically the formation of the entire regulator and price system--and the further development of the organization and form of the management system in such a way that the expansion of the organizational framework and forms of the management system will strengthen the socialist nature of the organizational system. We must eliminate every style trend. We need organizational frameworks and forms capable of adjusting flexibly to the very broad, manifold and variegated market demands.

In our joint work we shall not suspend or surrender the principles of economic management and reform. These must be realized consistently and effectively, and also developed further. And in that direction in which it has developed, and for more than a decade has served well the work of the nation. And in this spirit it is also necessary that the independent and responsible production activity which produces additional value should receive full freedom and independence, and that we should open for it a greater and broader path. It is essential that enterprise revenue regulation and wage and earnings regulation should be in harmony with possibilities and with actually marketable and exploitable surplus achievement. This cannot be avoided if we are to escape carrying out superfluous, difficult and painful corrections in midyear. We must strengthen differentiation to a greater degree in management and economic organization work, and through the regulators. We must give better pay to those who actually achieve more, are capable of doing more, and we must assure greater possibilities for those who are able to do more over the long run.

We must give a completely free path to enterprise independence in this direction, and we still have plenty to do to implement it in this way in practice: we must carry out limitations and interventions--resolutely and

without delay--wherever this is not occurring to the extent necessary. I repeat that we must limit, restrain and eliminate those work places and activities where they are using up the national income, where they are not capable of producing income rationally and manage like a business undertaking. We have places where we can transfer means and manpower; efficient, developing sub-branches essential to the country and well-operating enterprises with a future need the necessary means and are looking for manpower.

We must know that the protection of our living standards, our living circumstances and living conditions depends on the correct solution to this task. To the extent that we solve it we will to that extent protect and improve our living conditions. Today the world economy recognizes only two production factors above the average: an exceptionally favorable production endowment and lively, talented creative work. We have the second factor, and it is our obligation to realize it! But when we refer to the human factor we include such virtues as sense of obligation, love of work, industry, discipline, fairness and respect for creative capability. We must do this in every area and not only in the economy. And not only in the production sector but everywhere that the life of man, the quality of life and its conditions are realized and determined, and which affect public sentiment...where people's affairs are arranged by administration--the organs of power if you will--and where we still have much to do in the bureaucracy. Here too we must reduce personnel, simplify the conduct of work, and settle affairs with a more human, direct and normal logic. It is in our interest that people should feel at home in this country. This too is a part of the living standard like supply and services, which it is our central task to maintain at the present level.

It is also a great task of the government to see that the appropriate ratios are maintained between incomes and prices. It has a great responsibility and task to see that prices should rise within modest limits appropriate to the practice of former years, and that the movement of prices should serve, or serve primarily, to see that prices are in better accord with actual outlays and that they serve the consumer structure in accordance with the interests of the economy; it should not be the function of the rise in prices to "take back" incomes not covered by achievements.

Purchasing power regulation must be regulated basically on the income side--wages and income must be given, and are permitted to given, for actual and surplus achievement. The price increases over and above this year's plan are the consequence of the fact that we were not able to bring the two together. The government could not come up with a regulation which would have hindered the outward circulation of incomes to a greater extent than called for at year's beginning by possibilities and the provisions of our plans, because achievements do not "arrive" in January but in the course of the whole year, and what is anticipated is attained generally only by year's end. Therefore, a significant gap was formed between incomes and achievements which had to be eliminated. This is not a good thing, it is not a rational solution. It was an emergency step, but necessary to prevent more serious difficulties and to prevent the commodity supply and equilibrium from falling. We want to avoid such measures in the future!



But we must also say that it is not only the task of the government to see that the conditions of management and the gaining of incomes should not be more lax and easy than the actual conditions of life; it must also be the task of all those who have influence and a sphere of authority in this respect. This--that is, its protection--is also the responsibility of the enterprises, the workers' organizations, the party organs and trade unions. And here we mean the continuous protection of the equilibrium; it requires work in common, activity in common.

There will be no further central price revisions this year, and the government will do everything it can next year, in accordance with the plan, to see that it assures everyone living and working conditions as up to now in harmony with actual public expenditures, we must further simplify administration, and reduce administrative costs. We must not, and we do not desire, to reduce those services to public consumption which have an effect on the living conditions of the entire people--education and public health. But here too we need more rational management, for the country devotes enormous sums to these purposes. We must give special attention to those who bear a great burden in society and who do not have the possibility, or only in a limited way, to increase their incomes through surplus production--families with many children and pensioners with low incomes. We are familiar with their problems as we are with those of young people starting out on a career, and as our situation permits and achievements provide a cover, we shall act to ease their problems.

But the question rises: Can we cope with problems of such dimensions, can we carry out the improvement of economic equilibrium, carry the burdens and counter every disadvantage; will we be able to protect the positions we have gained in the world and create the means of our further development? Is it worthwhile to make such a great effort?

There can be no doubt about the answer: In our country it is everyone's interest that we undertake and carry out the common task, and that this be done personally by everyone. The stakes are all what we have gained during the past 25 years: we can also lose a great deal in good public and security attitudes, living standards, the starting points and the conditions of existence for the next generation. And we are certain that we can carry out the task, for we have new evidence of this--the improvement of the equilibrium despite the deterioration on the world market, and the discovered reserve resources in energy, material and the human desire to act. We have an abundance of all these for the coming period, which will be as difficult as formerly not only in respect to what can be measured by numbers but above all in respect to the strength of our people. In the past quarter of a century, the policy of the MSZMP relied firmly on the desire to live and develop which characterizes the profile of this people who have suffered so much and have finally found themselves. According to the moral lesson of the trials in recent years, Hungarian society has matured and is ready to do everything necessary for its welfare.

# HAVASI ON EFFORTS TO IMPROVE EXTERNAL EQUILIBRIUM

Budapest FIGYELO in Hungarian 16 Sep 82 p 3

[Article by Ferenc Havasi: "What Did We Do for Equilibrium?"]

[Text] Among the tasks facing the economy, the most important one is the restoration of the foreign economic equilibrium and guarding it in the future.

The data regarding economic equilibrium are generally known, but still it will do harm to mention one or two of the more important figures as reminders. Between 1973 and 1981 our terms of trade deteriorated by about 20 percent, and for this reason the country suffered a price loss of about 330 billion forints. This sum is more than one-half of the national income produced last year.

The internal weaknesses of our economy, the structural tensions, and the problems of efficiency came to the surface. Since 1974 domestic consumption in every year has exceeded the national income that was produced. In the past 3 years this comes to more than 210 billion forints. As a consequence, our foreign indebtedness increased at a fast pace.

The Fifth Five-Year Plan put the restoration of the equilibrium into the forefront of problems, but it called for this along with the rapid and simultaneous increase in living standards and investments. By the end of 1978 it proved to be true that the rapid rate of growth would be possible only through increasing indebtedness. This is why starting in 1979 economic political and economic management practice was changed in such a way that the requirement of the improvement of the equilibrium—primarily external—was emphasized along with protection of the living standards already attained. The Sixth Five-Year Plan was also built on this concept.

Thus economic policy reacted with delay and only gradually to world economic changes, and it did not reckon that the capitalist world economic crisis would be so deep and prolonged. We overestimated, among other things, the possibilities for creating an external financial balance, our capability of adapting to the changing conditions, and even the favorable effect which our cooperation with the socialist countries could exert on our equilibrium situation. Nor did we weigh adequately the difficulties in acquiring modern technology from capitalist countries.

It is small consolation that the 1973-1974 energy price explosion, which turned the international price ratios upside down, and the ensuing world economic crisis, which is now in its eighth year, has caused serious equilibrium problems also for countries that are more developed and stronger in capital than we are. The consequences of these matters have permanently and disadvantageously influenced the economic development of our country.

The restoration of the equilibrium and the protection of living standards has become the general program in recent years of economic policy in socialist and many developed capitalist countries. A whole series of countries have taken measures similar to ours which are characterized by incentives for exports, moderation of imports and the holding back of internal consumption.

#### The Balance for Three Years

The 3 years which have passed since the 12th MSZMP Congress justify the economic policy of placing equilibrium at the center of our efforts. Nonruble account exports increased by 20 percent between 1979 and 1981 while imports dropped by 10 percent. By the end of 1981 the foreign trade balance was essentially in equilibrium as contrasted with the period between 1974 and 1978 when exports provided a cover on the average for only about 85 percent of imports. The increase in indebtedness came to a halt, and in fact beginning at the end of 1981 our indebtedness declined. Our balance in capitalist foreign trade is essentially in equilibrium.

The determining role in the improvement of the equilibrium situation was played basically by domestic consumption, primarily the decline in accumulation. With a 1 percent growth in the national income, domestic consumption on an annual average declined by 2.4 percent.

In response to the stricter requirements, productivity increased, production and the export structure improved, and material and energy demand declined although still not to the necessary extent. For example, in response to energy savings measures, our petroleum imports declined from 10 million tons in 1978 to 7.8 million tons in 1981, while material consumption declined generally by 1.5 percent.

The results of the past 3 years bear up under the test of international comparison. In most of the developed capitalist countries the world economic challenge was accompanied by large-scale unemployment, two-digit inflation in many places, and a decline in consumption. Although our interest charges attained the full annual value of our capitalist exports 10 years ago, we have in these difficult years still precisely met our payments obligations. As a consequence of all this, the international judgment of the Hungarian economy is favorable.

We succeeded in achieving the results of the past 3 years under external conditions that are growing more difficult. The international political atmosphere has deteriorated significantly, and this has extended also over international economic relations. Protectionism and discrimination are stronger practices. The expansion of world commerce is in a slump. The center of the world economic crisis has shifted to financial affairs. Most of the world's countries are in-

debted. Interest charges have risen to a level exceeding economic rationalism. A crisis of confidence has developed in international financial relations. A credit embargo, in effect, is being implemented against the socialist countries. Under such conditions, even the maintenance of economic relations is running into great difficulties.

The deteriorating foreign economic conditions are placing new requirements on economic policy. The main task continues to be the improvement of the equilibrium situation and the maintenance of our ability to pay. To keep fulfilling the debt service charges on existing indebtedness we must--given the lack of new credits--achieve a significant foreign trade balance surplus this year. The Sixth Five-Year Plan reckoned with this only by the end of the plan period.

Proceeding from an analysis and evaluation of foreign economic relations, the Central Committee arrived at its June 1982 session to the conclusion that the development of the economy in the 1980's would depend chiefly on the extent to which the country could adjust to international conditions and requirements, and to what extent we could expand exports.

Given the fact that the creation and consolidation of the foreign economic equilibrium will continue for a long time to be one of the most important goals of economic policy, we must make further efforts at stabilizing our international economic positions, that is, we must subordinate our production policy to the requirements for adjusting to foreign market demands. We must use our development means primarily to increase the manufacture of competitive, good quality products that are delivered on time.

#### Our Measures

On the basis of the Central Committee resolutions, the government weighed 1982 economic development and passed many measures to improve the equilibrium, some of which were constrained by the more unfavorable than expected development of world economic conditions, and other were made necessary in order to implement the tasks set forth in the Sixth Five-Year Plan.

In order to keep investments within the limits imposed by the plan, we reduced the accumulation sources of the enterprises and tightened their use. For example, we reduced state supports radically. We put a 25 percent investment tax on a significant share of the investments now being initiated. Four to six percent of the development funds had to be transferred into the reserve fund. Investment credit was reduced, interest rates were increased, credit requirements were tightened. We froze the central reserves of state investments. We also significantly tightened inventory management.

To reduce social consumption and improve the state budgetary situation, we introduced measures to increase central revenues and to reduce expenditures. These measures constrain more economic management from the various central institutions and organs. We continued to cut back the state administrative apparatus, and we have undertaken to reorganize research institutes and support institutions. We have limited the use of state and public cars. Two thousand three hundred fewer vehicles are operated, and this is resulting in an annual savings of 300 million forints.



In midyear we changed the method of profit taxation, and we tightened the financial conditions for inventory management. Effective on 1 October, we shall raise credit and deposit interest rates for enterprises and cooperatives by 2 percent. This will stimulate the enterprises and cooperatives to the more economic use of credit sources, to the mobilization primarily of their own internal sources, and to increased savings; and this means the mediation of the international value judgment.

We carried out a 7 percent devaluation of the forint as compared to convertible currencies, a measure which serves the rationalization of import management. Measures have been taken to increase the profitability of export enterprises and to tighten regulations for import management. This limitation extends to a narrow circle of import products and only temporarily in accordance with the "rules of the game" for international economic organs. In recent times the role and importance of continuous and consistent central management has increased in our efforts designed to create an economic equilibrium. Even in the complicated circumstances we strive to see that the central measures do not restrict enterprise initiative, although nowadays in fact these measures are favorable only to effect export enterprises.

#### Organizational Changes

Modernization of the institutional and enterprise management system is being continued for the sake of making management more simple, rational and efficient. Thus for example, recently the Ministry of Industry eliminated, concentrated, or changed the operational forms of some of its support services. Similar measures can be expected at other government support institutions.

In the past 15 years 167 new and independent enterprises have been established, most of them by way of elimination of trusts and large national enterprises, and we expect that now management will become more flexible and that export competitiveness will in general increase.

The development of socialist entrepreneurships is also contributing more and more to expanding the supply of goods and services and to raising the level of their quality. By midyear, more than a hundred small and subsidiary enterprises or small coops, were established. Almost 150 new agricultural specialized coop groups and about 2,000 industrial and service specialized coop groups were established. The number of enterprise business work partnerships exceeds 500. In more than 1,200 business work partnerships established by private persons, there are almost 6,000 workers.

In itself the enterprise parameters are not a standard of efficiency, for there are small companies which are rigid and do not adjust to requirements and there are large enterprises which adapt flexibly to market demands. The modernization of institutional and enterprise organizations serves to improve the efficiency of new forms of entrepreneurships and real economic processes.

#### On Living Standards

In the center of social interest today, particularly since the August price rises, is the question: Are we observing the goals set by the Congress, and

are we able to protect living standards? Would it not be better to admit--it is added--that it will not succeed, cannot succeed? I would like to mention as a reminder that the 12th Congress set the protection of real wages as the goal, calling at the same time for an increase of 6 to 7 percent in real incomes for the Sixth Five-Year Plan, and 7 to 9 percent increase in consumption by the population. What have we achieved toward the realization of these goals in 4 years? Consumer prices between 1979 and 1982 rose by 33 to 34 percent, while per capita nominal incomes rose by 37 percent. That is, the real income of the population increased by almost 3 percent and consumption by 6 percent.

To counter partially or fully the price increases, many central sociopolitical measures were passed to protect the real value of social allowances. In 1979 we raised low pensions that were begun a long time ago, and in 1981 we increased the minimum sum for pension supplements as well as the spouse supplement. In 1982 we removed the limits forming the basis of the old age pension. In 1979 and 1982 we added pension supplements linked to the consumer price increases. In 1979, we raised the family allowance and childcare assistance. In 1980, we again raised the family allowance for families with three or more children. In 1982 we extended the scope of those entitled to gyas [children benefits].

During these years a significant group of countries was not able to increase consumption by their populations, and many of them could not even maintain consumption at level. In Hungary, the increase in consumption is indicated by such facts as the following: In these difficult years commerce sold on an average more than 100,000 passenger cars and 300,000 television sets of which 60,000 are color television. Savings deposits together with interest increased by 50 billion forints beginning in December 1978. On an annual average we built 82,000 to 83,000 apartments, 1,000 to 1,200 general-school classrooms, 3,000 nursery and 13,000 kindergarten places, and 2,000 patient-care beds. Also in these difficult years, 5 million to 5 and one-half million Hungarians travel abroad annually. Per capita meat and milk consumption has not decreased but in fact increased.

Of course, there are contrary views about the price changes and the new measures in our country. But why should we not regard this as natural? Over a 20 year period this country became used to a 3 to 4 percent rise annually in real wages, and with one five-year plan period an increase of 25 to 30 percent in real income. For a quarter of a century we have been living in such a way that we never had to draw back because of necessity or the failure of work. A considerable portion of the population has experienced for the first time a situation in which the living standards are being realized under more difficult conditions. It is understandable why many are asking what the reason is. And we must speak candidly of these reasons, for the easement of the problems and the solution of the causes depends also on those who are asking the questions.

Still an important basic principle is to provide the commodity cover for the incomes that have been acquired. But in order to develop achievements, wages, incomes and commodity bases in a more harmonious way, we had to reduce the rate of wage outflow and were constrained to greater central consumer price increases than anticipated in the plan.

If we have to choose to proceed at unchanged prices but with a more limited supply or with regulated price increases by maintaining the supply, the leadership would have to choose the latter. There is no country in the world today which can maintain or expand its commodity supply at unchanged prices.

A consumer price increase is an emergency step which is part of that series of measures which serves to improve the economic equilibrium and which in final analysis is a condition of maintaining living standards over the long run. But the former achievements are no longer enough to protect living standards. It is necessary to create harmony between the real value of work-income and achievements, wages and income through the regulation of earnings. Living standards cannot be guaranteed separately from achievements.

The reasons why unfavorable measures passed from time to time out of compulsion are understood by our society is that it accepts and supports the goals of economic policy and the practice deriving from it. The task is to guard and strengthen the atmosphere in which the creative spirit of the workers and their capability for initiative may develop and where outstanding achievements are given appropriate recognition.

#### The Outline of the 1983 Plan

Considering the narrowed area of mobility for economic policy, the following main requirements are outlined in the working out of the 1983 plan: the complete fulfillment of payments obligations, acceleration of the improvement in the foreign economic balance, the start of reducing indebtedness; increased efficiency requirements, chiefly through reduction of expenditures and the further modification of domestic consumption.

Improvement of the foreign economic equilibrium will be for many years the special task of economic policy. The June 1982 resolution of the Central Committee emphasized that lasting results can only be brought with the unfolding of quality factors based on economic development. We wish to expand our relations in all three directions, but in our foreign economic strategy we continue to regard as most important the development of CEMA integration.

We are convinced that the successful economic policy can be continued if the adaptability and efficiency of the economy improves and if foreign economic activity and success is increased. The condition for this is that we must develop the economic management system and all its elements and take in time the necessary--and at times unpleasant--steps. In this case the two main requirements of the Sixth Five-Year Plan can be fulfilled despite the more difficult circumstances.

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CURRENCY EARNINGS, PROFITABILITY OF TOURISM DESCRIBED

Budapest PENZUGYI SZEMLE in Hungarian No 8-9, Aug-Sep 82 pp 582-590

[Article by Dr Imre Vincze, deputy minister of finance: "The Foreign Currency Yield of Our Tourism and the Economicalness of Its Foreign Currency Production"]

[Text] Active tourism (travel of foreigners here) and passive tourism (foreign travel of domestic citizens) have many sorts of political and social effects and their significance can be judged in this connection also. But in addition both active and passive tourism have a very essential economic effect in many directions also.

Receiving foreigners within the country can be a source of foreign currency income as a function of the extent to which the foreigners make use of hotel, restaurant and cultural services. One must also take into consideration in this connection the domestic purchase of goods by foreigners.

How attractive a country is to foreign tourists is a function of many factors. Among these factors are natural endowments, architectural sights, historical monuments, the architectural and communal endowments and arrangements of cities, the level of the road network, hotels, restaurants and cultural establishments, the cultured nature of service, etc. Some of these conditions cannot be changed, or can be changed very little, by human action, changing others requires significant and long lasting investment activity, but a third group can be created by expanding tourism expertise, by organization and by human attentiveness. It is well known that in a number of countries in the world an overwhelming proportion of the national income derives from tourism; in other countries tourism provides a respectable portion (30-60 percent) of the national income.

In these countries tourism provides a significant intake of foreign currency, replacing or supplementing the export of goods.

For us also it is not a matter of indifference to see how much foreign currency income we make from active tourism and how economical this method of acquiring foreign currency is in itself and compared to the economicalness of the export of goods. On the basis of such a study we can come to well founded conclusions in regard to the usefulness of developing tourism capacity.



Our active tourism (travel into the country) in 1981 can be characterized by the following figures. In the course of the year, the number of foreigners coming in (foreign arrivals) was 14,841,000, of which 10,450,000 were tourists, spending at least 48 hours here, 1,626,000 were foreign excursionists and 2,765,000 were foreign transit travelers. Of the foreign arrivals, 12,525,000 came from socialist countries while 2,316,000 came from non-socialist (capitalist) countries. The foreign exchange income of our tourism in 1981 was 217 million dollars (6,952 million forints) and 249 million transferable rubles (7,205 million forints). The combined foreign currency income achieved in tourism, calculated as forints, was 14,157 million forints.

#### Concerning the Method of Calculating the Specific Foreign Currency Production of Tourism

In general a foreigner visiting our homeland gets forint legal tender by buying it for foreign currency on the basis of the rates of exchange valid here. At this time he receives 34.58 forints for one dollar (since October 1981, when the non-commercial rate of exchange for convertible foreign currency was recalculated and the difference between commercial and non-commercial rates of exchange was ended).

In the relationship with CEMA countries forint legal tender is obtained at the non-commercial rate of exchange valid for the national currencies of the foreigner. The authorized banks of the member countries use a coefficient of calculation agreed upon multilaterally in calculating receipts and expenditures deriving from tourism, which serves to recalculate into the international monetary unit of CEMA, the transferable ruble, the value expressed in rubles.

At this time its value is 1.7 (1.7 domestic rubles equals one transferable ruble). On the basis of the valid non-commercial rates of exchange and the coefficient of calculation one transferable ruble equals 28 forints.

A foreigner visiting in or as a tourist in our homeland pays the valid consumer price (fee) in hotels, restaurants, shops, theaters, baths, etc. It follows from the rate of exchange interdependencies described above that a tourist arriving from convertible relationships pays 2.9 dollars for every 100 forints' worth of services or consumer articles purchased here and, in the final analysis, every tourist arriving from the CEMA relationship pays 3.57 transferable rubles.

After this we should turn our attention to the consumer prices, to the net income or support content of them. At this time it is an essential characteristic of our consumer price system that the price level and price ratios of articles in consumer trade differ from the producers price of them not only because of the increase due to the commercial profit margin but also because the consumer prices for various groups of articles and services are formed under the influence of a strongly differentiated turnover tax and consumer price supplement. The data published in Table No 1 show the differentiation of the turnover tax or consumer price supplement at this time (valid since 1 January 1982).

		(2) 1. táblázat	
(1) Megnevezés	(2) Forgalmi adókulcs + fogyasztói árkieg. -- %	(1) Megnevezés	(2) Forgalmi adókulcs + fogyasztói árkieg. -- %
(3) bor	+34	baromfi (4)	-30
sör	+64	cukor	-12,6
égetett szeszemital	+86	tej	-31,2
üdítő ital	+20	vaj	76,1
pörkölt kávé	+26	kenyér	-12,6
dohányáru	+63	péksütemény	-12,8
sertéshús	-22	pamut*, gyapjú szövet,	
marhahús	-34	felőruházat, felnőtt	+27,
kolbász (vörösmáru, felvágott)	-23	bőr cipő	+22,
szalámi	+11	szőnyeg	+27,
		táskarádió	+11,
		kosmetikai cikkek	+50,
		benzin	+53

(5) \* A kulcsok a nagykereskedelmi árra vonatkoznak.

#### Key to Table No 1

1. Category
2. Turnover tax key, plus; Consumer price supplement, minus
3. First column: wine; beer; distilled alcoholic beverages; soft drinks; roasted coffee; tobacco; pork; beef; sausage (red and cut); salami
4. Second column: poultry; sugar; milk; butter; bread; baked goods; cotton,\* wool cloth, outer clothing, adults; leather shoes; carpet; pocket radios; cosmetic articles; gasoline.
5. \* The keys apply to the wholesale price.

In regard to articles in retail trade or traded in the catering industry the sum of the producers price and the commercial profit margin should be regarded as the correct and justified real expenditure when determining real expenditures and judging the economicalness of foreign currency production. The turnover tax, as isolated net income linked to the consumer price, should be eliminated from the sphere of real expenditures. The following argument speaks for the correctness of eliminating the turnover tax from the sphere of real expenditures.

When a foreign tourist pays his 100 forints (that is, 2.9 dollars or 3.57 transferable rubles) to buy consumer articles which contain a 30, 40, 50 or even 70 percent turnover tax the production of the unit of foreign currency is substantially more favorable--in proportion to the magnitude of the turnover tax--than in the case of consumer prices without a turnover tax, covering only the producers price and the commercial profit margin. In the case of articles (services) with a consumer price supplement the effect is in the opposite direction. For these the valid consumer price is lower than justified by the sum of the producers price and commercial price of the articles in question. So if we are to get the real expenditures we must increase the valid consumer price by the sum of the consumer price supplement; this will be the calculated real expenditure, and this must be compared to the foreign currency income attained.

The percentage keys for the turnover tax and the consumer price supplement, by product group, and the profit margins of wholesale and retail enterprises dealing in consumer articles are announced in published decrees. These make it possible to calculate the real expenditures mentioned above in regard to products in retail trade.

By dividing the real expenditures for 100 forints' worth of trade at consumer prices in various articles by 1.9 or 3.57 we can get its production of one dollar or one transferable ruble respectively. The ratio of specific net income and calculations pertaining to the specific production of foreign currency can be obtained for the trade of the catering industry as a whole.

There are no statistical data pertaining to the structure of the spending and purchases of tourists visiting Hungary. Here we can make use of estimates or model type approximations. Especially large variations are possible in the structure of spending and purchases by individual tourists.

#### The Results of the Calculations

Calculations performed according to the methodology described--on the basis of producers prices, commercial profit margins, turnover tax keys and consumer price supplement keys valid at the beginning of 1982--for the chief luxury goods traded in the shops, basic foodstuffs and a few industrial articles resulted in the following real expenditures or specific foreign currency production

Key to unnumbered table

1. Category
2. Real expenditure in percent of valid consumer price\*
3. Specific foreign currency production; dollars/forints and transferable rubles/forints
4. List: wine, beer, hard alcoholic beverages, soft drinks, roasted coffee, tobacco, pork, beef, sausage (red and cut), salami, sugar, milk, butter, bread, baked goods, poultry, cotton cloth, outer clothing (adults), leather shoes, carpet, pocket radios, cosmetic articles, gasoline.
5. \*producers price plus commercial profit margin, as a percent of consumer price

(1) Megnevezés	(2) Reális befizetés az érvényes fogyasztói ár alapján*	(3) Ingos valutakitermelés	
		\$/Ft	tr. Rb/Ft
(4) Bor	70,0	24,12	19,00
Sör	33,0	11,38	9,24
Tomény-azesszital	28,6	9,86	8,07
Üdítő ital	84,0	28,93	23,72
Porkolt kávé	75,5	26,03	21,14
Dohányárú	40,6	14,00	11,37
Sertéshús	120,3	41,48	33,69
Marhahús	131,4	45,31	36,80
Kolbász (vörösárú, felvágott)	121,3	41,82	33,97
Szalámi	89,8	30,96	25,15
Cukor	117,4	40,0	32,88
Tej	127,2	43,86	35,63
Vaj	176,1	60,68	49,32
Kenyer	117,4	40,00	32,88
Pékáruemény	117,4	40,00	32,88
Baromfi	124,5	42,93	34,87
Pamutazövet	75,0	25,86	21,00
Gyapjúszövet	75,0	25,86	21,00
Felsőruházat (felnőtt)	74,7	25,76	20,92
Bőrcipő	70,6	27,45	22,01
Szőnyeg	75,0	25,86	21,00
Táskarádó	89,6	31,00	25,97
Kozmetikai cikkek	54,2	18,62	15,17
Benzin	67,10	23,13	18,79

(5) Termékár 1. Kereskedelmi árak, 2. fogyasztói ár-összehasonlítás

As is well known, at this time the dollar rate of exchange for us varies between 34 and 35 forints and the commercial rate of exchange for the transferable ruble is 26 forints. By comparing these rate of exchange data with the specific foreign currency production of articles sold in retail trade, calculated on the basis of real expenditures, it can be established that in the case of luxury goods and cosmetic articles in retail trade and in the case of gasoline the purchases by foreigners result in specific foreign currency production which is very favorable for us; in the case of clothing articles it is favorable (better than the rate of exchange); in the case of technical articles it is about the rate of exchange; but in the case of basic foodstuffs (meat, meat products, milk, milk products, bread and sugar) it is considerably worse than the rate of exchange, and thus is unfavorable.

During their stay here visiting foreign tourists satisfy their needs for food and drink exclusively or to a significant extent in our catering industry establishments. The shop consumer prices are not valid for drinks and even less for foodstuffs, for hot and cold foods, in the catering industry establishments. In the catering industry the catering industry profit margin, strongly differentiated according to the quality classification of the establishment, is added to the drinks and foodstuffs acquired at wholesale prices (consumer price minus the retail profit margin), as a materials cost, and this must cover the costs, profit and payable taxes of the catering industry.

Here are a few examples of the current catering industry profit margin guides for drinks. (The percentage keys pertain to the catering industry acquisition price of raw materials.) (Table No 2)

2. táblázat

	(1)	Bár, lokál	(3) A vendéglátóipari egység minőségi osztálya			
	(2)	osztályon felül	I.	II.	III.	IV.
(4)	Bor (palackozott)	270	130	90	34	12,4
	Sör (palackozott)	180	110	83	40	12,4
	Égetett aranyeset	348	248	124	30	25,—
	Szemeskuli üdítő ital	260	235	70	30	19,75
	Gyümölcslé	220	190	80	40	19,75
	Espresso kávé	1000	455	233	144	133,—

3. táblázat

As ételk vendéglátóipari irányárása 3. táblázat (az anyagköltségre vetítve)

		(1) A vendéglátóipari egység minőségi osztálya				
(2)	osztályon felüli	I.	II.	III.	IV.	
(3)	Melegkonyha étel	310	205	125	88	44
	Cukrászda	250	170	105	75	60
	Italbolt, büfé	-	-	95	75	44

# Key to Table No 2

1. Bar, nightclub
2. Above class
3. Quality classification of catering industry unit
4. List: Wine (bottled), beer (bottled), distilled alcoholic beverages, non-alcoholic soft drinks, fruit juice, espresso coffee

# Key to Table No 3: Catering Industry Profit Margin Guides for Foods (Projected to Material Cost)

1. Quality classification of catering industry unit
2. Above class
3. List: With hot kitchen, pastry shop, drink shop or buffet

On the basis of the figures one can establish the following. The catering industry profit margin in Class III shops is 30-40 percent for drinks and 75-80 percent for food. In the case of Class II shops it is about 100 percent, calculated to the value of the raw material for drinks and foods obtained at wholesale prices. In the case of distilled alcoholic beverages and non-alcoholic soft drinks in Class I shops it approaches 250 percent; it exceeds 100 percent in regard to wine and beer and is 200 percent for foods. In above class shops it is around 200 percent for beer, fruit juice and soft drinks and 300 percent or more for wine, distilled alcoholic beverages and foods.

Calculated to the sales prices of catering industry establishments--which are based on the acquisition costs of drinks and food raw materials, the specific quantity used and the catering industry profit margin guides--the ratio of the turnover tax will be smaller than that shown for the wholesale price or the consumer price in shops. But in the case of those foods for which foodstuffs with a consumer price supplement are used the price supplement, calculated for the price used by the catering industry for finished food, will be substantially smaller than the consumer price supplement given for the price of the foodstuffs consumed. The obvious reason for this is that the catering industry works with a relatively high profit margin and that only a certain ratio of the foodstuffs used in preparation are supported (for example, in any meat dish they will use as garnishes potatoes and vegetables, for which there is no consumer price supplement). Table No 4 illustrates in figures what has been said in the preceding paragraph.

4. táblázat

## As italok forgalmi adójának %-os aránya

(5)	(1) Belföldi forgalomban		(4) A vendéglátóipari üzemekben			
	(2) nagyker. árban	kisker. árban	(3) I.	II.	III.	IV.
Bor (palackozott)	34	30	14,78	17,0	24,63	30,00
Bor (palackozott)	67	67	32,81	36,61	47,86	59,82
Égetett szeszmentes ital	66	71,7	24,71	28,10	66,1	68,9
Szeszmentes ital (edítet)	20	16,0	5,97	11,76	15,38	16,0

# Key to Table No 4: Percent Ratio of Turnover Tax for Drinks

1. In shop trade
2. In wholesale price
3. In retail price
4. In catering industry establishments, classes I through IV
5. List: Wine (bottled), beer (bottled), distilled alcoholic beverages, non-alcoholic soft drinks



5. táblázat

**Melegkonyha vendéglátóipari egységeknél a húsételekre érvényesített árak vetítve  
a felhasználó hús fogyasztói árkiegészítésre (representatív felmérés alapján)**

	(2) osztályon fölül	(1) A vendéglátó üzem minőségi osztálya			
		I.	II.	III.	IV.
(3) Húsételekkel készített ételek	3,3	3,9	6,2	6,4	8,4
(4) Marha- és baromfiús felhasználásával készített ételek	3,9	5,9	9,2	9,6	12,6

Key to Table No 5: The Consumer Price Supplement for the Meat Used Projected for the Price for Meat Dishes in Hot Kitchen Catering Industry Establishments (On The Basis of a Representative Survey)

1. Quality class of catering industry establishment
2. Above class
3. Foods made with pork
4. Foods made using beef and poultry

Statistical data are available (detailed according to class of establishment) concerning the sales of catering industry establishments and the internal ratios thereof. Trade by place of work catering is broken down separately.

According to the statistics trade by catering industry establishments was 43,163 million forints in 1980. Of this commercial catering accounted for 35,546 million forints and place of work catering accounted for 7,617 million forints.

Statistics are available, detailed by product, for foodstuffs acquisition by the catering industry (Table No 6). (This does not give a breakdown of how much went to commercial catering and how much went to place of work catering.)

Statistical information in terms of value--without detail by type--is available for acquisition of alcoholic beverages, nonalcoholic beverages, coffee, tea and tobacco.

Key to Table No 6: 1980 Catering Industry Trade, Millions of forints

6. táblázat

Millió forint

**As 1980. évi vendéglátóipari forgalom**

1. Commercial catering
2. Place of work catering
3. Catering, total
4. List: Total trade, total for foods, espresso coffee, alcoholic beverages, other beverages, tobacco, other commercial goods

(4)	(1) Kereskedelmi vendéglátás			(2) Munkahelyi vendéglátás		(3) Vendéglátás összesen	
<b>Összes forgalom:</b>	35 546			7 617		43 163	
Ételek összesen	8 530			6 864		15 394	
Espresso kávé	890			50		940	
Alkoholtartalmú italok	20 800			100		20 900	
Egyéb italok	2 375			331		2 706	
Dohányárak	2 293			372		2 665	
Egyéb kereskedelmi áru	658			--		658	

A reliable calculation can be made for the consumer price supplement content of foodstuffs acquisition by catering. According to this the consumer price supplement content of acquisition in 1980 was 1,298 million forints, of which 713 million forints was the consumer price supplement for meats and meat products, 325 million forints was the consumer price supplement for milk and milk products, 201 million forints was the consumer price supplement for fats (including butter), 48 million forints was the consumer price supplement for bread and baked goods and 45 million forints was the consumer price supplement for sugar. The turnover tax content of chocolate goods and cocoa acquired by the catering industry was 146 million forints. We can estimate that of the roughly 1,300 million forints' worth of consumer price supplements for food raw materials 800 million went to commercial catering and 600 million went to place of work catering; the turnover tax content of chocolate and cocoa acquisition can be written off entirely to commercial catering.

We performed a representative calculation on the basis of the actual food prices in some establishments to determine, in the case of meat dishes, to what extent the consumer price supplement for the meat used resulted in a consumer price supplement of the consumer price being charged. Table No 7 gives the figures.

7. táblázat

	(1) Sertéshúsból készült ételeknél	(2) Marha- és baromfi-húsból készült ételeknél
(3) Osztályon felüli üzem	3,3	5,0
I. osztályú üzem	3,9	5,9
II. osztályú üzem	6,2	9,2
III. osztályú üzem	6,4	9,6
IV. osztályú üzem	8,4	12,6

#### Key to Table No 7

1. Dishes prepared from pork
2. Dishes prepared from beef and poultry
3. List: Above class, class I, class II, class III, class IV

We calculated the turnover tax content of alcoholic and nonalcoholic beverage trade in commercial catering--totalling 23,175 million forints--using the following suppositions.

We took the internal composition of alcoholic beverage trade to be that of retail trade as a whole (shop sales and catering combined), according to which the share of wine, within the value traded, is 22.4 percent, that of beer 35.4 percent and that of distilled alcoholic beverages 42.4 percent.

To calculate the specific turnover tax percentage projected for the consumer prices of catering industry establishments we took into consideration the average acquisition price and the gross catering industry profit margins for establishments in quality classes II and III. We also used this method for non-alcoholic beverages.

Table No 8 shows the turnover tax content calculated for beverages traded in 1980 by commercial catering (on the basis of the turnover tax keys valid on 1 January 1982).

*B. táblázat*

	(1)	Forgalom (milliárd forint)	(2) Forgalmi adókulcs %	(3) Számított forgalmiadó (millió forint)
(4) Bor		4,6	21,2	975,2
Sör		7,4	42,2	3 122,8
Égetett szemesitalok		8,8	52,2	4 593,6
Alkoholos ital összesen		20,8		
Alkoholmentes italok		2,4	13,5	324,0
Ital összesen		23,2		9 011,6

Key to Table No 8

1. Trade (in billions of forints)
2. Turnover tax key, percent
3. Calculated turnover tax (in millions of forints)
4. List: Wine, beer, distilled alcoholic beverages, nonalcoholic beverages, total

The turnover tax content of espresso coffee traded by commercial catering was 112 million forints and the turnover tax content of tobacco traded was 1,200 million forints. On the basis of this the turnover tax content of 1980 trade by commercial catering was 10,504 million forints while the consumer price supplement connected with acquisition of food raw materials reached 800 million forints. On the basis of this the net turnover tax content of trade by commercial catering was 9,704 million forints.

On the basis of trade worth 35,546 million forints and a net turnover tax content of 9,704 million forints commercial catering had a turnover tax ratio of 27.4 percent and a real expenditure of 72.6 percent, and this makes the production of foreign currency favorable.

The catering industry establishments do not pay a turnover tax on hotel services, and they do not get a consumer price supplement. The convertible foreign currency income achieved by them is calculated for them into forints with a uniform rate of exchange. For organized tourists arriving from CEMA countries they are paid directly with transferable rubles, which is calculated for the hotels at the commercial rate of exchange for this currency; individual tourists pay with forints, who get forints at the non-commercial rate of exchange. They get no special financial support for foreign currency income. Thus, the hotels produce foreign currency at the level of the rate of exchange.

One can establish the following in connection with a comparison of the specific foreign exchange production of tourism and of the supply of goods:

--to the extent that foreigners buy alcoholic beverages, whether in shops or in catering industry establishments, the foreign exchange yield is favorable for us;



--meats, milk products, vegetables and fruits sold to foreigners in domestic catering have a foreign exchange yield more economical than in commodity export'

--the specific foreign currency production of shop trade in meats, meat products, milk and milk products and of their export in the non-ruble relationship is approximately the same;

--to the extent that foreigners buy textile clothing products, other textile products and cosmetic preparations domestically the foreign currency production of this is much more economical for us than the foreign currency production of commodity export.

#### Summary of the Main Findings

The calculations and analysis reported on are persuasive that tourism produces foreign currency substantially more economically than commodity export. This finding proves reliable in regard to both convertible accounting relationships and ruble accounting relationships. Articles with an especially high turnover tax content are especially profitable in tourism. The foreign currency production of catering industry sale of basic foodstuffs with a consumer price supplement is more economical than commodity export, and this is true in both accounting relationships. Shop sales of basic foodstuffs, in regard to convertible accounting, gives a specific foreign currency production essentially as economical as commodity export; in regard to ruble accounting, domestic shop trade in these articles proves more advantageous. The sale and export of clothing articles within the framework of international tourism is not without advantages to us--simply in regard to the economicalness of the foreign currency yield. Limiting the export of these items might be justified from other viewpoints, for example from the viewpoint of the security of domestic supply. It is well known that the fees for baths, beaches, cultural institutions, movies, theaters, museums, city mass transit and railway passenger transportation are linked to substantial financial support here. As a result, to the extent that foreign tourists make use of these services it harms the economicalness and specific foreign exchange yield of tourism demonstrated above. But when we consider that catering industry services and shop purchases are of fundamental significance in the expenses of foreigners and that the above mentioned services represent only a smaller part of what they pay for we see that they do not influence substantially the analysis given above of the economicalness of the foreign currency production of tourism.

The entire study is persuasive that on the basis of the foreign currency profit and the economicalness thereof it would be correct to further develop our active tourism and exploit the possibilities of our country in this regard.

8984

CSO: 2500/409

REFORMIST PRICE SYSTEM NEEDS IMPROVEMENT, PROTECTION

Budapest FIGYELO in Hungarian 9 Sep 82 p 9

[Article by Mrs Ervin Fiala, PhD: "Export Interests and Incentives of Operative Character"]

[Text] The price system introduced in 1980 was preceded by big debates, and analyzing 2 years of experience of its operation now, the wave of polemics has again hit a high crest. There can be no doubt to their right to exist because this type of a price system cannot be found in any of the socialist countries, and its operation also differs strongly from the price mechanisms in effect in the capitalist countries.

What Has Not Occurred

One of the goals of introducing the new price system was to make it possible to decrease producers prices by a certain amount, and thus contribute to developing the desirable dual level price system. However, the closer the completion of the price system drew, the more it became obvious that the hoped for price level decrease could not be implemented. The rising trend of raw material prices and mainly of the energy sources became an obstacle to the decrease, since it increased not only the price level of the basic materials but also became built into the production costs of the processing industry's products. The planned 107 percent starting price level turned out to be 114 percent in industry (96 percent according to the 1978 calculations).

A number of studies dealt with analyzing the reasons for the difference between the planned and the actual 1980 price level changes. Without reviving the arguments related to this, in the interest of objectivity it should be mentioned that the extent and complicated nature of regulating prices, the new principles--exchange rates, foreign market prices--, the different time points of completing the national economic plan and the price regulation, and in addition to this, of course, also the subjective factors, are all reasons for the differences between the planned and the actual price level changes.

When the price mechanism was developed, the idea was that the profitability of the nonrubel related exports should regulate the profitability of all domestic sales. This principle is very important because it keeps the domestic

price fluctuation between determined limits. The essence of the new price system is that domestic price development is subordinated to the world market's value judgement, and if this does not prevail, the regulating force which due to lack of a market regulates the domestic producer prices, is lost. The strongly limited nature of import competition makes development of the domestic market more difficult, and as a result of this, its price regulating function hardly prevails at all. Auxiliary regulators are needed which limit the domestic price fluctuations.

However, after the new price regulation went into effect, the exceptions came to life. For example, exemptions were granted from the rules of competitive price setting, or special rules were put into effect for spare parts, auxiliary activity, import substituting products, etc. Thus the area of domestic sales to which the rules of competitive pricing really apply has become narrower, and it has become practically impossible to judge whether or not the export price level tie-in is functioning.

### Market and Price

When the pricing principles and the price mechanism were developed the assumption was that the general regulation will be uniformly in effect, and within this framework the economic operating entities will proceed under their own authority. However, in practice in a number of cases--based on requests made by enterprises--individual decisions were made.

Fulfillment of the obligation to decrease prices is proceeding slowly. The market conditions are not forcing this, the position of the customers generally fails to become firm, and the sellers are interested in increasing rather than decreasing the prices.

Due to the slow development of the market conditions the market does not exert sufficient pressure on the prices. Due to the strength advantage of the sellers, a seller's market and price situation prevail. Therefore the effect the prices exert on the market must be strengthened. In the interest of this the principles of the competitive pricing system must be firmed up, and the pricing mechanism must be reinforced rather than slowed down, with the refinements that become necessary from time to time to adjust to the principles.

Even as early as during the period of preparing for the price system's reorganization one important viewpoint was that the domestic price system should not slow down the interest in exporting, on the contrary it should urge to improve the export pricing work and to expand effective exporting. Therefore the restriction that the income content of domestic prices--in the processing industries--may not differ from those of export. Increasing the profit content of domestic prices--other than by decreasing the actual costs--is possible by means of increasing the profit of the export prices. The relationship is similar also between the changes of domestic and export price levels.

### Efficiency and Volume

The topic surfaced in early 1981 and also this year--due to the unsatisfactory way export developed--, the the competitive pricing system does not create

sufficient interest in volume, and indeed improving the profitability encourages the enterprises to discontinue the less efficient export. Debates have also developed around this.

There is no argument that in some cases it is justified to apply a very broad scale of the export incentives. In certain cases in the interest of increasing export volume temporary concessions may also be made in the pricing policy. However, it absolutely must be kept in sight that over the long range the volume and the efficiency requirement do not come into conflict with each other. The longer volume enjoys preference over efficiency, the later the national economically desirable and rational export structure will develop. As long as the exporter can also find his profit even with export that deteriorates in efficiency but increases in sales volume,--making the domestic market bear the costs--he is not interested in conforming to the world market situation in a lasting way.

It also must be weighed that in export incentives of the operative character in the present situation--considering the recession--the probability is not great that the enterprises will from year to year achieve a relatively dynamic export expansion. But actually they are not even encouraged to do so. It is sufficient if export sales are "outstanding" in one year. In this case the enterprise has already escaped the problem of decreasing the domestic prices for several years--how many years, depends on the extent of the outstandingness of export.

Frugality with import, and substituting for imports by means of profitable domestic production are economic rationalities justifiably supported. It can be argued, however, whether this support has to manifest itself in price preferences.

The producers want to "replace" only that import on which they make a profit, that is, when they can increase the prices. Not one single enterprise is interested in substituting for import that would force it to decrease its domestic prices. Expanded following of the import prices would presumably increase the conflicts within the production sphere.

#### Based On the Original Principles

During the time period of the Sixth 5-Year Plan the main direction of economic activity is reestablishment and solidification of the national economy's equilibrium condition and within this, its foreign trade balance. While improving the national economy, we must more rapidly and more flexibly conform to the changing foreign trade and domestic conditions.

The competitive price concept stands in essence in the service of these tasks. Even though the price system--if for no other reason then also because of its novelty--is burdened with many problems, but based on the experience gained in 2 years it seems that this suits the requirements best. This price system relays the value judgement of the foreign market, and doing so it helps the domestic prices of the processing industry conform more and more to the foreign trade's export prices, and the prices of the basic materials and semifinished



products to the world market's price ratios. Through this the price system is a potential tool for shaping the market conditions and a reasonable structure, and by consistent application of the active exchange rate policy [it is a tool] for keeping inflation within bounds. But the price system can perform these functions only if we let it work, if we don't keep adding on brakes and limitations repeatedly which in essence are elements foreign to the system, and--in one direction or another--hinder development of the effects. Like all new systems, the price system also needs a "run-in time" during which the initial problems are corrected and the ripe changes implemented.

Increased attention will have to be paid in the future to defending the concept and to avoid the--presently menacing--danger when the benefits of the competitive price system are praised in words, but in practice the original concept is getting more and more lost.

Attempts must be prevented--which, unfortunately, have not been unsuccessful so far--which want to solve the bulk of the problems (if not all of them) at the expense of domestic prices. A more supportive stand should be taken in the protection of the price system and it should be prevented that the price be operated as some kind of "wonder weapon", creating the appearance that price is the remedy for all problems. Price--like all regulatory elements--operates in such a way that while it provides incentives in a definite direction, it also causes a series of not exactly desirable side effects.

The more price concessions are made at the expense of the principles, the more side effects there are also, and fending these off triggers continuous chain reactions. Of course, defense of the concept does not mean that it is unchangable. Inasmuch as the world market circumstances are changing and conforming to them requires a different price policy behavior, the price policy concept must also be reviewed and modified in a way justified by the economic policy requirements. But until this occurs, consistent behavior is even more justified because the general regulatory system of the Sixth Five-Year Plan is in harmony with the original competitive price concept. Any concessions made at the expense of the price system actually also causes corresponding changes in the other regulatory elements. Inasmuch as this does not take place, the comprehensive nature and effectiveness of the regulatory system also suffer injuries.

The more artificial interferences and limitations on the operation of the prices are made, the more strength the earlier, autarkical features gain, and the market's development becomes that much more difficult. The reasons favor letting the price system operate on the basis of the original principles.

8584

CSO: 2500/407

STATE SECRETARY DISCUSSES UTILIZATION OF RAW MATERIAL RESOURCES

Budapest NEPSZABADSAG in Hungarian 11 Sep 82 p 5

[Interview with Laszlo Kapolyi, state secretary for the Ministry of Industry, by Judit Kozma: "About the Utilization of Our Raw Material Resources"]

[Text] The Hungarian economy's structure, technology, products, and its entire economic operating practice were developed in the age of cheap energy sources and raw materials available in unlimited supply, and in many respects it is still built today on those traditions. That is, we are using too much material and energy in production, and a very large portion of these come from import. Thus, in order to improve our competitiveness we need, on the one hand, modern finished products which at the same time contain less material and energy than they now do, and on the other hand we must find the least expensive raw material sources for producing these. Thus our domestic natural resources are also appearing in a new light: in many areas it is more advantageous now to utilize them than import which has in the meanwhile become significantly more costly. But mining them is unbelievably expensive. Thus, the more we spend for this purpose the less money remains available for improvements in the processing industry and for modernizing the product structure. What can we expect in light of all this from our domestic mineral resources?--we discussed this with Laszlo Kapolyi, state secretary for the ministry of industry.

[Question] We have heard it for a long time as explanation for our large energy and raw material import that we are a country poor in raw materials. Thus, first of all let's try to take an inventory: what domestic mineral resources can we count on after all?

[Answer] Undoubtedly we are not rich in raw materials, but we are not poor, either--we are among the countries with a good mediocre supply. Of course, we have no gold and silver mines, rich oil fields, and we will also always have to rely on imports for some important raw materials--such as, for example, iron ore, nickel, tin, or sulphur--, because they either are not found in this



country at all, or in only very small quantities. But we have good supplies of other mineral resources. For example, we have significant resources of coal, bauxite, copper, manganese ore, and various nonmetallic minerals. According to our present information the amount of our mineral resources including a total of about 70 types of raw materials can be estimated at about 20 billion tons. About half of this can be mined economically, that is, these raw materials are cheaper to use even today than import. Considering the sites that can be mined profitably, our mineral raw materials represent 15 percent of the national wealth.

...We Have Significant Resources of Nonmetallic, Industrial Minerals...

[Question] To what extent are we exploiting at this time this mineral resource?

[Answer] We produce 26 million tons of coal per year, mostly brown coal. Our hydrocarbon mining provides two million tons of petroleum and six billion cubic meters of natural gas. Over three million tons of bauxite are brought up to the surface. We are producing a total of four million tons of various industrial minerals and 70 million tons of construction industrial minerals. With all this, at the present time domestic sources cover almost all of our construction industrial mineral consumption, 95 percent of our mineral mining raw material needs, 51 percent of our energy consumption, and almost half of our metal needs--within this, all of our aluminum needs and aluminum export.

With this we are utilizing only a small portion of the majority of our mineral wealth, even though they also provide the opportunity to double our raw material production. One exception is hydrocarbon mining--that is, our resources provide only the possibility for the present production level to not decrease either in petroleum or in natural gas until the turn of the millennium, but there is no possibility of increasing production. At the same time our coal reserves are significant. The coal supply of the presently operating mines will last for about 30 years, but there is enough coal and lignite for about 140 years in areas suitable for establishing mines. This also creates the possibility for coal production to triple in terms of heating value. Besides brown coal and lignite, our coking bituminous coal reserves are particularly significant. Mining these will increase in the future within the framework of the Lias program. By means of expanding mining in the Mecsek [mountain] production of the coke concentrate will double in the 1990's--but the recently discovered Maza-South fields also provide the possibility of additional significant expansion of this.

Our bauxite resources are significant even by European standards, thus it furnishes the foundation even over the long range for fulfilling the domestic requirements, and indeed in addition to this it also provides an opportunity for export. Modern copper refining industry similar to the aluminum industry could be built on the Recsk mineral resource, and the production of lead and zinc concentrates may also be significant--these may provide complete self sufficiency. We also have a good supply of manganese ore, and this is a demand item on the world market when processed in various ways. We could

double our manganese mining by building up our processing capacity. But we also have significant resources of nonmetallic industrial minerals--for example, perlite and dolomite. Increased mining of these would make possible broader domestic utilization and increased export.

Thus in summary there are opportunities in quite a few areas for the processing industry to change over from expensive imports to the less costly domestic raw materials, and thus improve the profitability of production.

[Question] But development of the mining industry is unbelievably expensive. Would it not therefore be more practical to spend our limited investment means for faster development of the processing industry which would just as well improve the foreign trade balance?

[Answer] There is no way the development of the mining and processing industries can be contrasted with each other over the long range, since both are necessary. The key question is, that by all means the starting point for judging the investment opportunities is the processing industry, the products made from raw materials. The goal is not increasing the utilization of the domestic mineral resources at all costs, but rather, to make the processing industry more efficient. For this very reason the mining investments must be economically competitive with the investments needed for replacing the raw material and energy imports.

...From the Viewpoint of Finished Products...

However, another reason for the very high production costs, that is, of insufficient efficiency of the processing industry, is that it relies on an excessively expensive raw material base. Of course, it is possible to base the production of modern products with high technological standards and suitable for the international forefront, on expensive imported raw materials since such items can be sold well on the world market. But, for the time being, the Hungarian industry has few such products and developing them--even though naturally this is the primary task--requires a very long time and significant investments. Thus the other path of increasing competitiveness: providing the processing industry with cheaper energy and raw material base by expanding the domestic resources, has at least the same significance. Besides this, it also has the additional benefit of relieving the economy of the "energy producing" investments within the processing industry. That is, while in the past we spent six percent of our total export on paying for the energy import, this increased to 16 percent due to the deterioration of the currency exchange rate. And better exploitation of the domestic resources may economically replace this additional export.

Thus, as a consequence of all this, development of the mining industry promotes rather than endangers the processing industry's growth; the burdens deriving from the significant price increases of energy sources and raw materials can be countered only in a combinative manner: on the one hand, by improving the competitiveness of the exporting branches, and on the other hand, by more efficient exploitation of the domestic energy and raw material resources. For this very reason the most important task of the long range planning work is divide in the best manner possible the available investment tools between the processing and the energy and raw material producing branches.

[Question] Obviously these optimum ratios are different now than, let's say, a decade ago. How could the new tasks related to the utilization of the individual raw materials be characterized?

[Answer] The energy situation is clearest. That is, the price of petroleum has increased so much and the high prices thus developed seem to be so stable that decreasing the additional burdens of oil purchasing is the primary task. Therefore one of the important elements of the combinative energy and raw material policy is to replace as much petroleum as possible with coal and nuclear energy. Construction of the nuclear power plant in Paks, and the Eocene program which significantly increases coal production, serve this purpose. Over the long range the construction of a hydroelectric power plant with reservoir, which will economically satisfy the peak period demands for electrical energy, and the construction of coal-fired heating power plants which will furnish thermal energy to the industrial plants and the population which are now still consuming fuel oil, will help replace petroleum.

However, among fuels the replacement of hydrocarbons is only one of the tasks. At least as important is the way we will process the petroleum saved by the increased coal consumption. At this time, for example, gasoline and diesel fuel are relatively low in our petroleum processing, and the ratio of heating oil is high. The catalytic cracking plant under construction in Szazhalombatta will improve the profitability of petroleum refining; it will produce more valuable white products from heating oil. So will the other development to be built at the same location, in which several profitably sold so-called aromatic products will be produced.

Replacing fuel oil with natural gas in the power plants may produce significant results over the short range. But over the long range natural gas is also used most efficiently as raw material for the chemical industry or in demanding technologies, and sold to the population in that manner. For example, it would be a significant step in utilizing our domestic energy resources to make methanol from natural gas which can be blended with motor fuels which are expensive to buy [import], and in turn also make ethane and ethylene from it. That is, by doing so we could bring our petrochemical industry which is now built on imported petroleum, into a favorable position.

#### ...Frugality Is Also a Resource...

But frugality is also an important element of the combinative raw material and energy policy, since even the most economical energy production can not compete with it. This is why even among our limited investment opportunities priority was given to the energy rationalization investments, by which the growth rate of energy consumption may be decreased, and within this petroleum consumption may be moderated.

This same basic principle, that is, the comprehensive and system-oriented analysis must, of course, also be implemented not only in energy management but also in decreasing the base material consumption and in the consumption of our raw material resources. For example, in our base and raw material consumption frugality does not sufficiently prevail. Studies show that the

Hungarian industry uses 20-30 percent more material than the industries of the better developed countries, to produce the same equipment. In addition to the obsolete constructions, the reason for this is that production of the good quality base materials is short of the requirements, and not the optimum structural materials are used for the products. The advantage in improving base material quality is well illustrated by the fact that by using better quality steels the weight of machinery and equipment can be decreased by as much as 10 to 20 percent with the same strength. But our manufacturing technologies are also wasteful, the large quantities of scrap generated during manufacturing also greatly increases material consumption, and thus the costs of raw and base material import.

The recently adopted government program for economical material consumption and technology modernization is designed to ease this situation; basically it wants to increase the competitiveness of the processing industry by modernizing the constructions and transforming the technologies.

Another way to decrease material needs is to increase the degree of processing. This can be well illustrated, for example, in the case of the aluminum industry. With today's world market price ratios, if we consider the bauxite production in its entirety as raw material, then the raw material's share of the production value is 28-30 percent in alumina production, seven to eight percent in the aluminum metallurgical products, about five percent in the semifinished products, and even less in the finished products, depending on the degree of processing. The ratios are similar also in energy consumption; the higher the degree of processing of the products under consideration, the lower their energy content.

[Question] For decades aluminum was the best example for using our domestic mineral resources. But the price of aluminum has decreased significantly on the world market. The difficult situation of this industrial branch illustrates that even the domestic raw material basis is no absolute guarantee for competitiveness.

[Answer] Due to the effect of the recession on the capitalist market, the price of aluminum did significantly decrease. However, even though the time of reviving can hardly be predicted, it will certainly occur sooner or later, since aluminum continues to be one of the materials with the brightest future. Of course, in order for the sales opportunities of this industrial branch to improve, we must continue to modernize the product structure--the end of the vertical must also be built up. That is, among other things it will be necessary to increase the production of aluminum alloys and make modern aluminum end products.

That is, the use of aluminum--thanks to its low weight, relatively good [electrical] conductivity, and acid resistance--can make not only the production but also the use of certain products much more efficient. For example, the weight and in connection with this the energy consumption of transportation vehicles may decrease significantly if aluminum is used in producing them. The vehicles with lower specific weights may function practically as energy banks.



### ...Multifaceted Utilization...

But the aluminum industry's profitability can also be improved in other ways. For example, there are possibilities for further modernization of mining, and for the complex utilization of bauxites. For example, iron oxide could be extracted from the bauxite before alumina production, which could be an important base material for steel production. Simultaneously, various rare elements such as gallium and vanadium could also be separated for use in electronics and producing ferrous metallurgical alloys, respectively.

By the way, opportunities exist for such complex utilization not only in the case of bauxite. For example, Recsk became widely known primarily as a place where copper is found. But there is also a significant quantity of lead-zinc ore at the same place, as well as quite a few rare metals such as molybdenum, rhenium, tellurium, and small quantities of gold and silver are also found here which can be used well in other branches of the economy. Pyrite can also be mined together with the copper, and its iron content can be a base material for metallurgy. Sulfuric acid factory could also be built based on the pyrite, which can decrease the import of the chemical industry. These, of course, are long range possibilities, since today we do not yet have the financial conditions for utilizing the Recsk copper ore.

[Question] What is taking place right now in Recsk?

[Answer] Preservation of the status quo, protection of the physical plant is the most important job. Exploration has not stopped in spite of the halt in mine construction. The exploration methods are similar to those in hydrocarbon exploration, thus if necessary each exploratory cut can also be used for production. In essence this also improves the technological quality of the mine, and in the final analysis the exploration itself is also less expensive.

[Question] Two important raw materials, manganese and iron ore, are still missing from the "inventory". What type of ideas are there for their utilization?

[Answer] Lack of processing capacity is the biggest obstacle to exploiting our wealth of manganese. A portion of the raw material wealth in Urkut is oxide-containing manganese ore, which can be sold profitably only in the form of ferromanganese. For the time being we do not have the financial conditions to produce this. Processing of the manganese carbonate found in the same location also has not yet been solved--in the interest of this we have entered into a technical development agreement with the Thyssen firm of the FRG.

Even though Rudabanya does not play a definitive role in fulfilling the needs of ferrous metallurgy, in spite of this it may be justified to maintain its iron ore production. But the condition for this is that enrichment of the iron ore be solved. The mine's management has worked out several promising technical concepts, the success of which may lay the foundation for the future of Rudabanya.

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MODERNIZATION OF INDUSTRIAL ENTERPRISE MANAGEMENT URGED

Budapest PARTELET in Hungarian No 7, July 82 pp 8-12

[Article by Deputy Minister of Industry Janos Deak: "Modernization of the Internal Direction System at Industrial Enterprises"]

[Text] It has become increasingly apparent that the external network of connections among enterprises, appropriate development of the internal system of operation and expansion, and the assurance and systematic development of their flexibility are of key importance in enterprise effectiveness and adaptability, dynamism of technical development, modernization of the productive system and marketability of certain products.

For the internal and external organizational system, modernization is equally timely, and the relationship is intimate. Recently, numerous directives were issued for the expansion and diversification of organizational forms, yet our state program extends also to the development of the whole organizational system of enterprises. However, the program will produce the expected results only if its components harmonize with and reinforce each other. Appropriately, we must concentrate on developing the enterprise management system, an important part of the program. This program must promote development of interenterprise connection and, within this framework, promote the development, profitability and diversification of modern organizational forms (partnerships, primary contracts, etc.); it should provide a solid foundation for necessary enterprise decentralization; and, in addition, it must promote the small-business sphere and the superstructure of various economic entities of different sizes, specialties and proprietary forms.

In the context of corporate regulations, development and modernization of the management system are under the authority of the enterprises and the right and responsibility of the enterprise director. In part, this results from the enterprises themselves—as independent economic entities—selecting the direction and goal of their activity, within guidelines established by the economic direction system. In addition, it is in the immediate interest of the enterprises that their management system serve social and economic policy requirements, technical procedures, and exploration and utilization of existing resources.

All this is well known to the economic directorship; it is also the will of the collective, even when the necessity for simplification or modernization of an individual activity is not readily apparent. The gap between a recognized need and a concrete decision or action is larger than natural, or even larger than understandable. This becomes evident in the fact that highly significant economic policy changes and lasting problems of the past decade, which obviously changed operating conditions for industrial enterprises, to a large extent, were not adequately reflected in the industrial business mechanism: in the changing internal expansion operation, or interest structure: or in the development of internal organization. Currently, enterprises of different sizes operating under different circumstances unnecessarily show many identical or similar characteristics in structure and operation. In other words, management methods are unsophisticated; organizational solutions or changes are infrequent; internal coordination and integration problems are unsolved; and the methods and efforts for solution are undifferentiated.

The enterprise management system is the sum and organizational whole of the goal selecting, planning, deciding, information, accounting, interest and supervisory subsystems. Yet a problem at least as great is that, despite the recent significant changes in the economic policy implementation system, the development of enterprise management has not made any substantial progress.

These factors and others cause official requirements transmitted through the economic regulation system and direct market influences to reach immediate productive units in a filtered, diminished, often distorted form. To the average person, slightly caricatured, this means that systematic modernization has stopped short at the "gate" of the enterprise. In particular, it is apparent at trusts and large enterprises that too many functions have been centralized at headquarters; member enterprises and factories enjoy little independence or responsibility; and the division of authority is uneven. In addition, practice often varies from the principles established in institutional regulations.

Thus, in practice (with some exceptions), a leveling process is taking place instead of the more appropriate and necessary differentiation. This process obliterates the real differences between efficient and less efficient organizations, retards their entrepreneurship, preserves uneconomical production and prevents effectiveness and marketability from adequately affecting the productive structure.

A common question is, "What is required of the management system?" The answer could fill a list, because the technical, technological, financial, labor, social and other internal processes of the enterprise are complex. The basic requirement, however, is obvious: the management system should allow realization of regulatory system influences and concrete price evaluations of the market; it should allow flexible accommodation to domestic and foreign market conditions; it should promote discovery and implementation of untapped reserves; it should grant greater independence to organizational subsidiaries; and it should promote decentralization of authority and, as a result, promote increased marketability.

We can also consider these requirements as goals. To reach them, we must primarily create and strengthen an internal atmosphere that supports human ambition and initiative, offers increasing opportunities for individual and group responsibility and pays the most respect to creative individuals. It is no less important that enterprise directors concretely recognize the relationship between economic effectiveness, success of leadership and quality of management. However, a modification of the accustomed behavior and orientation of enterprise directors is in order. The previous investment-, technical-development-, and growth-centered directorial behavior, which concentrated primarily on short-term economic goals, must be replaced by a new practice: thinking of strategies and actively using resources and reserves at the director's disposal for their realization.

Nonetheless, we cannot manage this without greater coercive power from the economic environment. As long as easier roads are available—for instance, price increases or subsidies—these are chosen, not the more difficult solutions that are more productive in the long run. The more complex the social and economic conditions of operation at a given enterprise, the more directly it feels market influences, the less successfully it will solve its problems by traditional, overcentralized management methods. High-ranking enterprise directors need their subsidiaries, middle directors and work collectives to become active, take initiative and accept responsibility; this is only possible in a well-structured, flexible management system. We can expect a significant advance in the development of management only if enterprise conditions (the economic direction system, the technical-technological environment, various expectations, etc.) exert a force on administrative subsidiaries that makes development of management and utilization of reserves in leadership, direction and organization necessary for existence.

Many factors influence successful attainment of economic goals, effectiveness of management and capacity for flexible adjustment to surroundings. Among these, appropriate and systematic development of the management system is gaining importance; this is a complicated task and can be performed effectively only with thoughtful preparation and the systematic and active participation of directors.

Looking at their concrete situation, enterprises operate in varying market conditions; their characteristics (size, subsidiaries, productive structure) also differ. They must base their management system and its development on concrete contributing factors.

We must strive to develop a more stable operative structure and more stable authority for enterprises operating under relatively stable conditions. In contrast, in dynamically changing conditions, the enterprise can operate effectively only if it implements a flexible strategy and alternative plans, adopts new technology relatively quickly and offers new products after a short adjustment period. Such organizational capability is possible only if the enterprise prepares itself for probable changes and various types of internal problems, if it uses preplanned alternative solutions and if it can change and develop its organizational structure flexibly, without greater internal commotion.

Different internal organizational forms and varying degrees of regulation correspond to different situations. Strict, detailed regulations, or the traditional, stable organizational solutions, correspond to general situations; changeable, temporary circumstances requiring complex, significant coordination are paired with greater regulation, or team program, systems and innovation chains within the enterprise; matrix systems correspond to control of individual, strategic product groups.

Even though some enterprises have made some progress in modernizing management systems, related research and ministerial examinations show that further, significant advances are necessary in outlook, methods employed and concrete economic results.

In discussing their modernization programs and plans, every enterprise emphasized management development. So that each productive and service subsidiary can measure its own output, and thus proportionately share in wage increases and other interest funds, the subsidiaries wished to increase independence within the enterprise, the proportion of decentralizing activity, and propagation of interest.

At the same time, concrete analysis of developmental concept shows that in many cases, enterprises select goals without creating the necessary conditions. Harmonized, complex development of management is operational at only a few enterprises; more commonly, enterprises have only reached the point of modernizing certain elements of the management system. Developmental ideas do not generally consider existing reserves. There are still too many categorical solutions. For instance, mere decentralization of labor and operational, production-directing functions is inadequate for increasing the real independence of subsidiaries.

Thus the demand for much greater independence by subsidiaries of the managing organization (trust enterprises or factories and plants of enterprises) is justified. To accomplish this, the necessary conditions must be established: definitive determination of authority; expansion of subsidiaries' rights of entrepreneurship, opinion, determination and independent acceptance of responsibility and risk. This would result in an internal interest system that would stimulate exploration and utilization of resources and elevation of performance and quality.

During reorganization most enterprises often ignored the fact that modernization of the productive structure is effective only if management is developed and adapted to the new situation. Of course, this process often requires significant work, since reorganization of the division of labor and interest conditions involves many problems. Yet management modernization is essential since it can also be considered as an important reserve of efficiency. Certainly this can be accomplished only if development of the management system is handled as a complex task, its elements (goal selection, planning, decision-making, accounting, information, interest, supervising and organizational systems) are harmonized in their development, and differentiated methods are employed according to their concrete characteristics.



The mutual relationship of some elements, or their harmonized development, must be assured, and thus:

--Long-term concepts, alternatives and methods for dealing with uncertainty and multigoal plans must play a larger role in enterprise planning.

--A balance of centralization and decentralization must be sought that will offer the most beneficial opportunities, for both the entire enterprise and each subsidiary; it should utilize market-based internal accounting prices, thus serving as a basis for corresponding valuation of activity within the enterprise.

--The interest system must adjust to the basic internal productive and cooperative characteristics of the enterprise; it should provide interests in the subsidiaries so that their authority should agree.

--The role of indirect direction methods must be increased, in order to ensure interest in results; as possible, beginning in the planning stages, relationships of forced cooperation and excessively detailed regulations must be decreased.

--The opportunity for adequate preparation for new tasks must be assured for individuals (directors and subordinates alike) working in the more modern, decentralized authority system, through instruction, continuing education and consultations.

--Many substantial tasks (for instance, coordination) are handled by subordinate workers in the management system with modernized, decentralized authority. Care must be taken within the enterprise that not only directors have prestige but that certain substantial, independent tasks, when completed by subordinates, represent a step up the promotion ladder, and that these subordinate workers receive appropriate moral and financial recognition based on their efforts for enterprise results.

--The goal of management development must be that concrete direction methods and solutions be as understandable, simple and unbureaucratic as possible. It must be ensured that collectives within the enterprise recognize and adopt the substance of these methods. At the same time, this would significantly increase the probability that the operation of certain forums of the industrial democracy increase in content, that problems and questions will be directed to the individual levels and forms to which they actually pertain and that appropriate information is assured and the interests and opinions of the workers' collectives be utilized in the appropriate levels of management.

As a concluding observation, from one point of view system development concept and program systems must relate to concrete enterprise goals and strategic ideas. From another angle, however, increased freedom of movement must be extended to the system so that it can adapt more flexibly to future--unforeseeable or generally discernible--changes in circumstances and management conditions.



## CONFERENCE ON PLANNING, DEVELOPMENT PROSPECTS ENDS

Budapest MAGYAR HIRLAP in Hungarian 23 Sep 82 p 5

[Article: "We Must Plan in a New Way"]

[Text] The two-day conference on the development of economic planning was concluded on Wednesday at the Hungarian Academy of Sciences with the plenary session. The National Planning Office, the MTA [Hungarian Academy of Sciences] Institute of Economics, the Hungarian Economics Association, institute and enterprise economists and planning experts discussed in four sections the current and long-term problems of planning work.

One section reviewed the planning of economic development in the 1980's and dealt with such important questions as the following: Is it possible, and in what way, to achieve economic growth under the difficult conditions, and what kind of role does economic planning fulfill in the development of the economy and society?

In the second section, the subject was the planning of social processes, living standards, and living conditions.

The third section dealt with the system of economic regulation and planning, emphasizing the importance of the combined development of planning and regulation.

In the fourth section, they discussed the methodology of plan estimates.

At the afternoon plenary session following the reports on the work of the sections, Lajos Faluvegi, deputy prime minister and chairman of the National Planning Office, delivered the closing speech. He stated that the conference achieved its goal, contributed to the improvement of economic planning and to the strengthening of its political professional respect.

### Over the Long and Short Term

It has always been the mission of planning to build a bridge between political ideals, economic conditions or laws, and the interests of individual social groups, and in such a way that it would stand up over time. Planning must

become increasingly a continuous activity. Today, planning work must better grasp and express the essence of economic policy, taking into account social influences and including the main conditions of execution. The plan must mobilize forces not only for economic but also for social action. This can only be achieved if different professional and social interests and views meet in the workshops of planning work and engage with one another, and all these engage with economic interrelationships. It is in this way that plan and planning may become the material driving force to regenerate the unity of society.

The role of plans for different time spans and their relationship to one another was raised in the discussions. There was a uniform view that a greater need exists now perhaps than ever before for long-term planning. We must show to the young the path that leads into the future in order that they may have confidence in and identify with our socialist conceptions and contribute to their realization. For this purpose, we need to strive not for an ideal image but for the outline of a realistic and attractive image of the future, working out the strategy of the new track of development, Lajos Faluvegi said.

The rigid identification of medium-term planning with the five year plans was criticized. Today the surety of prevision is strongly limited. Adjusting to the conditions, it is advisable, therefore, to make certain economic policy decisions of great importance for 2 to 3 year periods, because it is not possible to foresee the trajectory and effects of decisions for a longer period. In our present world with its changes and many surprises we cannot dispute the necessity of annual planning. We must adjust our actions to the changing conditions, possibilities and tasks. At the same time we must oppose the temptation of having the managing organs intervene unjustifiably in the work of enterprises and cooperatives. That is, planning must undertake the role of seeing that operational economic activity should exert its effect in a definite track and a calculable way.

Lajos Faluvegi then spoke of the problem mentioned by many others which deals with the present condition of the economy and its economic policy interrelationships.

In the past 2 to 3 years, international financial conditions have become significantly more difficult. Amid such circumstances, monetary pressure effects our economic policy and management more and more and requires increasingly greater effort to protect our ability to pay.

Many at the conference criticized the restraints on domestic allocations-- investment and consumption. They are right when they fear for the economy because of the strengthening and mutually fermenting effects of restraints on domestic allocations. But we must understand that this is not an economic policy concept which was thought of beforehand, it is not a goal set in the Sixth Five-Year Plan, but a compulsion stemming from external circumstances. It would be extraordinarily dangerous and take the economy into a blind alley if we wanted to project the emergency situation that has developed as the base of our economic policy efforts. We regard it as necessary that for the

1984-1985 period we think over the guidelines for economic development and work out the methods for introducing in the coming years the comprehensive modernization of the management system. We cannot from the outset give up such specially important goals of the Sixth Five-Year Plan like the improvement of the housing supply and the development of education. We must and can mobilize the forces of the economy on this basis. The government is counting on the scientific institutions and the Hungarian Economics Association to unite with the practical managers in this fateful undertaking.

#### The Responsibility of the Planners

Finally, he spoke of the work of the planners, their personal and human responsibilities, emphasizing that everyone can be depressed and pessimistic but not planners. Our mission is to find the way out of problems and to draw up a more acceptable future. For this we also have to accept risks, the risk of making mistakes and at times of not being understood. But we must never give up the demand for renovation!--and with this the deputy prime minister and the chairman of the National Planning Office concluded his remarks.

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# AMENDED DECREE ON ORGANIZATION OF AGRICULTURAL DIRECTORATES, COUNCILS

Bucharest BULETINUL OFICIAL in Romanian Part I Nos 58-59, 22 Jun 82 pp 1-9

[Decree No 32/1980 of the State Council on the Organization of the County General Directorates for Agriculture and the Food Industry and That of the Municipality of Bucharest and of the Combined State and Cooperative Agroindustrial Councils;\* Appendices on pp 10-72 are not included in this translation]

[Text] The State Council of the Socialist Republic of Romania decrees:

## Chapter I

### The General Directorate for Agriculture and the Food Industry

#### Section 1

#### General Provisions

Article 1. For the uniform management of all agriculture and of the activity of industrialization of agricultural products, the general directorates for agriculture and the food industry, specialized local bodies of the state administration, subordinate to the executive committees of the county people's councils and that of the municipality of Bucharest and to the Ministry of Agriculture and the Food Industry, are organized within the counties and the municipality of Bucharest.

Article 2. The general directorate for agriculture and the food industry has a juridical personality and is a plan titular for the tasks that devolve upon agriculture, the food industry, other industrial activities and transportation in the subordinate units within the county.

The general directorate is responsible, both to the Ministry of Agriculture and the Food Industry and to the executive committee of the county people's council or that of the municipality of Bucharest, for the fulfillment of the plan to all indicators.

Article 3. The general directorate receives the plan indicators from the Ministry of Agriculture and the Food Industry and allots them to each agricultural unit with headquarters on the county's territory.

\* Republished on the basis of Article X of Decree No 99 of 8 March 1982, published in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA, Part I, No 27, 15 March 1982.

Decree No 32/1980 was published in BULETINUL OFICIAL, Nos 9-10, 1 February 1980.

For the activity of the directly subordinate units of local interest mentioned in Article 12, Point I, letters b-e, the general directorate receives the plan targets from the executive committee of the county people's council or that of the municipality of Bucharest.

Article 4. For the performance of the duties that devolve upon it with regard to the development of production in the cooperative sector of agriculture and the economic and organizational strengthening of the cooperative units, and in the coordination and management of the combined state and cooperative agroindustrial councils, the general directorate for agriculture and the food industry collaborates with the county union of agricultural production cooperatives.

## Section 2

### The Duties of the General Directorate for Agriculture and the Food Industry

Article 5. The general directorate for agriculture and the food industry fulfills directly or through the trusts in its structure the following main duties:

#### A. Duties Regarding Agriculture

- a) It is responsible for the complete achievement of the vegetable and animal agricultural production stipulated in the sole national plan for economic and social development, by all holders of farmland in the county's range;
- b) It is responsible, in accordance with the law, for the protection, conservation, improvement and full, rational and efficient use of land by the component units of the combined state and cooperative agroindustrial councils, the other socialist units possessing farmland, the farms of the cooperative members and the individual farms;
- c) It is responsible for the identification of all areas of land, the strict observance of the law in the case of the removal of land from agricultural production, and the return of land temporarily removed from agricultural production to the agricultural circuit on the dates set;
- d) It prepares the land- and general-cadastral projects and programs, does the work of introducing and maintaining them and executes the associated topographic work, as well as projects for systematization and organization of the territory;
- e) It coordinates and is responsible for the preparation and application of the programs for land improvements in its jurisdiction and the utilization of the entire production potential of the farmland, regardless of holder;
- f) It checks on the way in which the agricultural units and those for maintenance and operation of land-improvement facilities provide for the rational exploitation of the areas equipped for irrigation, the observance of the crop structure and the performance of maintenance work. It takes steps regarding, checks on and is responsible for the complete cultivation of arable land and the use of other land in accordance with the purpose;
- g) It checks on and is responsible for, in accordance with the law, the proper organization and complete use of the pastures on the county's territory and the improvement and rational administration of them, regardless of whose possession the pasture is in;



h) It organizes, checks on and is responsible for the fulfillment of the plan targets for the production of cereals, leguminous plants, technical and fodder plants, greens, potatoes, fruit, grapes, meat, milk, eggs, wool and other vegetable and animal agricultural products, for all holders of farmland and livestock in the county. It is responsible for the preparation and implementation of the programs for territorial self-supply with agricultural and food products. It helps the combined state and cooperative agroindustrial councils to prepare and apply the operational plans regarding the organization and performance of the agricultural campaigns;

ii) It organizes and performs the supervision regarding the sowing of all areas of land in accordance with the prescribed crop rotations and takes steps so that it is done during the optimum periods and in strict compliance with the crop structure approved by means of the plan and established for each holder. It checks on the way in which the agricultural units do the work of maintaining the crops and the vine and fruit-tree plantations at the proper time and under the conditions stipulated by the technologies established for each particular crop. It takes steps to provide the need for chemical and organic fertilizer and the supply of seeds and planting stock from valuable varieties;

iii) It issues, in accordance with the law, the documents that attest the biological and cropping value of the seeds and planting stock for domestic and export needs. It checks on the observance of the production technologies, as well as the conditioning, transportation, storage, marketing and use of the seeds and planting stock in the production process;

iv) It takes steps, through the specialized organizations, to prepare the forecasts of attacks of diseases and pests for field crops, vegetables, fruit trees and vines and to inform promptly and on time the holders of farmland about the dates on and conditions under which the treatments must be performed. It organizes, checks on and is responsible for the application of the plant-protection measures;

v) It organizes and is responsible for the mechanical-power activity and the full and rational utilization of the tractors, machines and equipment with which the units in agriculture are provided, pursuing the continual growth of the degree of mechanization of agricultural and zootechnical production, the observance of the approved consumption rates and the economization of liquid fuel, lubricants, spare parts and maintenance supplies;

vi) It checks on and provides for the preparation and application of the programs of technical, organizational and economic measures, with a view to the fulfillment and overfulfillment of the plan targets for all crops by the state agricultural enterprises, the agricultural production cooperatives and the other agricultural units;

vii) It is responsible for the achievement of the production meant for exportation, at the level of the qualitative requirements of the foreign market, by all state and cooperative agricultural units in the county's range;

viii) It checks on and is responsible for the fulfillment of the plan regarding the raising of the animal populations and animal production by the socialist units and in the sector of the farms of the population, as well as the way in which the socialist agricultural units fulfill the program for reproduction and selection of animals. It helps and guides the farms of the population through measures, programs and actions

for developing the raising of animals, poultry, silkworms and bees and pursues and is responsible for their implementation;

p) It checks on and is responsible for the utilization of the entire fodder potential and for the rational feeding and the maintenance of the animals in accordance with the approved technologies and the standards of zoohygiene;

r) It organizes, checks on and is responsible for the application of the legal norms regarding the protection of the health of the animals and the combating of diseases and epizootics and provides the veterinary health assistance in all socialist agricultural units and for all possessors of animals. It checks on the application of the measures for hygiene in food of animal origin and those regarding the slaughtering of animals and the operation of slaughtering points and slaughterhouses;

s) It pursues and is responsible for the achievement, by all state and cooperative units, of the deliveries of the quantities of vegetable and animal products stipulated in the plan to the state supply. It checks on the way in which the units for utilization and purchases of agricultural products perform their activity;

q) Together with the county union of agricultural production cooperatives, it supports the formation of intercooperative associations and the actions of association of the state units with the agricultural production cooperatives. It give advice on the technical and economic studies and the drafts of the constitutive documents;

t) It initiates and supports the formation of the viticultural, pomicultural and livestock-raising associations in the localities without cooperatives and guides their activity;

†) It analyzes periodically in the combined state and cooperative agroindustrial councils, together with the county union of agricultural production cooperatives and the branch of the Bank for Agriculture and the Food Industry, the stage of plan fulfillment and the economic and financial condition of the cooperative agricultural units, establishes the corresponding measures and pursues their implementation;

u) It organizes, guides and is responsible for the development of the activities of industrial production, construction, service and utilization of agricultural products in the agricultural units within the combined state and cooperative agroindustrial councils;

v) It checks on and is responsible for the way in which the engineers in an agricultural specialty, the veterinarians, the chief accountants and the other technical and economic personnel fulfill the tasks that are assigned to them in the combined state and cooperative agroindustrial councils and the cooperative units.

#### B. Duties Regarding the Industrialization of Agricultural Products

a) It provides for the development of production in the food-industry units and the other units for industrialization and processing of agricultural products, the diversification and improvement of the quality of this production, and the development of the activity of industrialization of agricultural products within the combined state and cooperative agroindustrial councils;

b) It organizes and provides for the matter of contracting for and taking into the state supply, in accordance with the plan targets, the vegetable and animal agricultural raw materials, the observance of the price and rate system, and the correlation of the activity of the industrialization units with that of the agricultural units supplying raw materials;

c) It is responsible for the complete fulfillment of the export tasks, in the assortment structure and at the qualitative parameters wanted on the foreign market, by the units for industrialization of agricultural products in the county's range;

d) It pursues and is responsible for the better utilization of agricultural raw materials, the rational and full use of production capacities, and the introduction of advanced methods of organization of production and labor, with a view to the growth of labor productivity and the reduction of the consumption of supplies and energy and the cost per unit of product;

e) It organizes, guides and checks on the activity of identification, recovery, administration and utilization of all reusable material resources coming from the subordinate units.

#### C. Other Duties

a) It prepares studies and programs regarding the proportions, levels, rates and ways of development of the production in the field of agriculture and the food industry within the county in the future;

b) It provides for the preparation of the plan proposals on a territorial basis for agriculture and the food industry, pursuing the observance of the approved plan levels and quotas, the establishment of sensible proportions between branches and sectors, and the maximally efficient utilization of the land and the material and human resources existing in the units. It helps the combined state and cooperative agroindustrial councils and their component units to dimension and substantiate the plan proposals;

c) It allots to the combined state and cooperative agroindustrial councils, each cooperative agricultural unit and the other subordinate units and for the sector of the farms of the population the plan indicators regarding the areas for the main crops, the animal populations, the deliveries to the state supply, the production indicators and the other plan indicators, in correlation with the material base, the soil and climatic conditions, the work force and other specific local factors. Directly and through the trusts in its structure, it checks on the fulfillment of the plan indicators allotted to the whole county, the sectors and each agricultural unit in the county's range;

d) It takes steps regarding the administration of material and monetary assets with maximum efficiency, the providing of a strict policy of economy and the strengthening of plan discipline in all subordinate units. It pursues and is responsible for the preparation and execution of the income and expense budgets regarding the actions in the agrozooveterinary units financed from the budgets of the communes, cities and municipalities, of the combined state and cooperative agroindustrial councils and of the other directly subordinate units, for the utilization of the funds approved under the conditions set by means of the legal provisions, and for the collection of the

revenue due the state and the payment of it to the budget. It pursues and is responsible for the preparation and implementation of the provisions in the income and expense budget of each agricultural production cooperative and intercooperative economic association. It organizes and guides the bookkeeping in the units and takes steps to strengthen the responsibility, order and discipline in the administration of the material and monetary resources in each cooperative agricultural unit and to provide a continual equilibrium between incomes and expenses;

e) It organizes, coordinates and guides the investment activity in all subordinate units. It approves, within the limit of its jurisdiction, the documentation for the investment work in the cooperative sector of agriculture and of the subordinate units and is responsible for the achievement of the facilities and the putting of them into operation;

f) It follows the results of scientific research and concerns itself with their utilization in production. It is responsible for the introduction of scientific and technical progress into the state and cooperative production units. It provides and is responsible for the uniform application, in all subordinate units, of the quotas, standards and technologies devised, in accordance with the law, by the Ministry of Agriculture and the Food Industry and the Academy of Agricultural and Silvicultural Sciences;

g) It is responsible for the improvement of the organization of production and labor and for the application of the legal provisions in the field of payment for labor. It organizes the permanent supervision regarding the manner of application of the elements of the pay system in the state and cooperative units. It pursues and is responsible for the application of the uniform structural standards and the labor quotas and standards for all categories of worker personnel and checks on their manner of application;

h) It exercises the legal powers regarding the planning, training and improvement of the worker personnel in its own apparatus and the subordinate units;

i) It appoints to and dismisses from positions the operational personnel, the office chiefs and the department chiefs in its own apparatus and approves the matter of appointing to and dismissing from positions the heads of the subordinate units. It appoints to and dismisses from positions the chief engineers and the chief economists of the combined agroindustrial councils, with the advice of the county union of agricultural production cooperatives. It appoints to and dismisses from positions the agricultural specialists and the chief accountants in the agricultural production cooperatives and the veterinary health districts, with the agreement of the executive bureau of the combined state and cooperative agroindustrial council. It gives advice on the matter of appointing to positions the specialists with higher education in its field. It recruits the chief accountants for the agricultural production cooperatives and the intercooperative economic associations, with the agreement of the branch of the Bank for Agriculture and the Food Industry, in accordance with the law;

j) It approves, in accordance with the law, the transfer of the engineers in an agricultural specialty and the veterinarians from one county to another, from one sector of agriculture to another or to a branch other than agriculture, with the advice of the Ministry of Agriculture and the Food Industry. It approves the cancellation of the work contracts of personnel with higher education, with the agreement of the Ministry of Agriculture and the Food Industry;



It takes steps, in accordance with the law, regarding labor protection, in order to provide the best working conditions and prevent work accidents and occupational illnesses, in the units subordinate to it. It organizes and is responsible for the prevention and extinguishing of fires in the directly subordinate and cooperative units.

### Section 3 Organization and Operation

Article 6. The general directorate for agriculture and the food industry is run by a management council, a collective leadership body, composed of 21-51 members, which debates and adopts uniform measures, on the main matters regarding agriculture and the food industry, for all specialized units within the county and within the municipality of Bucharest.

The following belong to the management council: the director general, the deputy director general, the directors of the trusts, the directors, the chief veterinary inspector and the chief accountant in the general directorate for agriculture and the food industry, the chairmen of the management councils or the executive bureaus of the combined state and cooperative agroindustrial councils, the chairman of the county union of agricultural production cooperatives, chairmen of the working people's councils or the executive bureaus in the subordinate units, chairmen of the agricultural production cooperatives, designated by the county union of agricultural production cooperatives, 3-10 specialists within the general directorate for agriculture and the food industry and the educational, research, financial-banking and other units on the county's territory, 6-15 representatives of the working people--workers, cooperators, foremen and brigade chiefs--who work directly in production, and a member of the county commission of agricultural producers in localities without cooperatives, a peasant with an individual farm.

In addition, the secretary of the party organization in the general directorate for agriculture and the food industry, a representative of the trade unions in the state agricultural units and the food-industry units, designated by the county trade-union council, with the agreement of the branch union of trade unions, and the chairman of the county council for problems of village youth belong to the management council.

The chairman of the management council of the general directorate for agriculture and the food industry is the director general.

Article 7. The collective leadership of the operational activity of the general directorate for agriculture and the food industry and the implementation of the decisions of the management council are achieved through its executive bureau.

The following belong to the executive bureau of the management council: the director general, the deputy director general, the directors of the trusts, the directors, the chief veterinary inspector and the chief accountant in the general directorate for agriculture and the food industry, the chairman of the county union of agricultural production cooperatives, the secretary of the party organization in the general directorate for agriculture and the food industry, and the representative of the trade unions in the agricultural and food-industry units.

The director general of the general directorate for agriculture and the food industry is the chairman of the executive bureau of the management council.



Article 8. The composition of the management council and its executive bureau is approved by the executive committee of the county people's council or that of the municipality of Bucharest, with the advice of the Ministry of Agriculture and the Food Industry.

Article 9. The following specialized councils, consultative bodies, which analyze and prepare proposals regarding the development of production in the corresponding specialized fields, operate beside the management council of the general directorate for agriculture and the food industry:

- a) The council for cereals and technical plants;
- b) The council for horticulture;
- c) The council for land resources and land improvements;
- d) The zooveterinary council;
- e) The mechanization council.

Article 10. The duties of the management council of the general directorate for agriculture and the food industry, its executive bureau and the trusts and departments within the general directorate, and the composition, duties and mode of operation of the specialized councils, are established by means of the regulation for organization and operation of the general directorate for agriculture and the food industry, drawn up by the Ministry of Agriculture and the Food Industry and approved by the Legislative Chamber of the People's Councils.

Article 11. The structural standards for the general directorate for agriculture and the food industry and the maximum number of technical, economic, other specialized and administrative personnel are stipulated in appendices 1 and 2.\*

Article 12. The general directorate for agriculture and the food industry has the following units subordinate to it:

A. Directly subordinate units:

i. Units of local interest:

- a) The combined state and cooperative agroindustrial councils;
- b) The office for pedological and agrochemical studies;
- c) The inspectorate for plant protection;
- d) The office for reproduction and selection of animals;
- e) The enterprise for improvement and exploitation of pastures.

ii. Units of national interest subordinate directly or through the trusts within the general directorate, in accordance with Appendix 3.

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\* The appendices have been communicated to the institutions involved.

B. Units of national interest subordinate also to the Ministry of Agriculture and the Food Industry and its departments, economic general directorates, centrals or trusts, stipulated in Appendix 4.

The units in the composition of the combined state and cooperative agroindustrial council, and the units of national interest mentioned in Paragraph 1, Letter A, Point II, and Letter B, are organized in accordance with the specific structural standards approved for the respective fields of activity, and those in Letter A, Point I, in accordance with the provisions in Appendix 1.

## Chapter II The Combined State and Cooperative Agroindustrial Council

### Section 1 General Provisions

Article 13. The combined state and cooperative agroindustrial council is the territorial body through which the general directorate for agriculture and the food industry:

- a) Provides for the uniform and operational coordination of the agricultural activity and that of industrialization of agricultural products in the component units of the council;
- b) Implements the measures for concentration of production and for specialization of the units and their farms and carries out joint actions for fully and efficiently using the land resources, the material and financial resources and the work force in the component units;
- c) Helps the component agricultural units to sensibly zone the crops on the county's territory in crop rotations, to zone the development of the species of animals and to rationally place the investment facilities for all agricultural and food-industry units;
- d) Concerns itself with the organization of the economic associations for production and of the activities of cooperation in production, for increasing their production and improving their economic efficiency;
- e) Implements the measures for economic consolidation of each unit in the council's range of activity.

Article 14. The combined state and cooperative agroindustrial council is a titular of the plan, which it receives from the general directorate for agriculture and the food industry.

The council operates on the principle of the budgetary units and has an expense budget of its own, allotted from the budget of the general directorate for agriculture and the food industry.

The combined council has the same headquarters as the agricultural mechanization station in its composition.

Article 15. The combined state and cooperative agroindustrial council presents to the general directorate for agriculture and the food industry proposals for allotting the plan targets to the units in its composition, taking into account the placement of the crops on the fields, during the respective year, in accordance with the prescribed rotation, the production potential and the differences in production that result from the concrete placement of the crops of each agricultural unit. In preparing the proposals for allotting the plan targets, the council takes into account the provisions of the combined program for chemicalization and irrigation, as well as the actions of cooperation and association that are achieved within it.

Article 16. The council coordinates and checks on the execution of the tasks and the fulfillment of the plan indicators relating to the state and cooperative agricultural units in its range of activity, it being responsible to the general directorate for the fulfillment of the plan, the complete delivery of the products in accordance with the prescribed destinations, and the other activities of the units in its composition.

The combined council concerns itself directly with and is responsible for the organization and achievement of the actions of cooperation and other actions and measures necessary for the fulfillment of the joint objectives by several units within it.

## Section 2 Organization

Article 17. The combined state and cooperative agroindustrial council has in its composition the following units that have headquarters on its territory:

- a) The agricultural mechanization station;
- b) The agricultural production cooperatives;
- c) The intercooperative economic associations and the associations between the agricultural cooperatives and state units or those of the cooperative system for production, purchases and commodity sales;
- d) The state agricultural enterprises and the hothouse enterprises;
- e) Farms of the state agricultural units and of the units that have their headquarters in the range of other councils, including those for pisciculture and sericulture;
- f) The state enterprises for raising and fattening hogs;
- g) The institutes, central stations and stations for agricultural production and research or farms of theirs;
- h) The agroindustrial secondary schools and the teaching experimental station;
- i) The plant-protection center or formations;
- j) Veterinary health districts and the center for reproduction and selection of animals or the artificial-insemination points;

k) The units with an agricultural makeup subordinate to other ministries and central bodies.

Article 18. Joint actions in the agricultural, industrial and service fields, with the preservation of the right of possession, are organized, through association or cooperation, within the combined state and cooperative agroindustrial council.

Article 19. The chief engineer, the chief economist, the zootechnician, the planner (technician), the personnel in the centers for reproduction and selection of animals who perform the work of artificial insemination in the council's range, and the workers with tasks of guidance of specialized agricultural production in the units for processing of agricultural products, assigned to the council, performed their permanent activity within the combined state and cooperative agroindustrial council.

Article 20. The bodies through which the collective leadership of the combined state and cooperative agroindustrial council is exercised are: the general assembly, the management council and the executive bureau.

Article 21. The general assembly of the combined state and cooperative agroindustrial council is formed of the members of the collective leadership bodies of the component units, the personnel with permanent activity in the council, the chairmen of the executive bureaus of the communal and city people's councils in the combined council's range, and representatives of the state units and those of the cooperative system for production, purchases and commodity sales participating in the economic activities of cooperation and association.

Article 22. The management council is composed of 31-43 members. The following belong to the management council: the chairman, the chief engineer, the chief economist and the zootechnician of the combined agroindustrial council, the director, the chief engineer and the chief accountant of the agricultural mechanization station, the chairmen, the chief engineers and the chief accountants of the agricultural production cooperatives, the directors, the chief engineers and the chief accountants of the state agricultural units, the chiefs and the economic managers of the farms of the enterprises with headquarters in the range of other councils, the directors and the chief accountants of the intercooperative economic associations and the associations between the agricultural cooperatives and state units or those of the cooperative system for production, purchases and commodity sales, the director of the institute, central station or station for agricultural production and research, the chief of the veterinary health district and the chairmen of the executive bureaus of the communal and city people's councils in the council's range, and top cooperators and workers in the production sectors of the agricultural units who belong to their management councils.

Article 23. The executive bureau is composed of 13-17 members and consists of: the director of the agricultural mechanization station, the chairmen of the agricultural production cooperatives, the directors of the state agricultural units, the director of the institute, central station or station for research, the directors of the intercooperative economic associations and of those between the agricultural cooperatives and state units or those of the cooperative system for production, purchases and commodity sales, the chiefs of the farms of the state agricultural units, in the situation in which the unit has its headquarters on another council's territory, the chief engineer, the chief economist and the zootechnician within the combined



council, the chief of the veterinary health district, and other management personnel in the component units, designated by the management council.

The chairman of the respective combined council also participates in the sessions of the executive bureau.

Article 24. A chairman of the combined state and cooperative agroindustrial council and of its management council is a party and state activist.

The chairman of the combined state and cooperative agroindustrial council is responsible to the county party committee for the entire activity that is performed in the council's range, the agricultural and industrial production, the administration of the localities, the providing of territorial self-supply, the political and cultural activity and the party work.

For the achievement of production, the full and efficient use of the land, all material and financial resources and the work force, the application of modern technologies, the suitable use of specialists, the complete fulfillment of the provisions on the delivery of agricultural and food products to the state supply, and the achievement of the purchases of vegetable and animal products from the farms of the population, the chairman of the council is responsible to the county party committee, the executive committee of the county people's council, and the county general directorate for agriculture and the food industry.

The chairman of the council provides for the fulfillment of all duties of the combined council, in strict compliance with the legal provisions and the statutory provisions.

Article 25. The position of first vice chairman of the management council and chairman of the executive bureau of the management council of the combined state and cooperative agroindustrial council will be held by one of the directors or chairmen of the component agricultural production units of the combined council, designated by its general assembly, with the agreement of the Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives and the county people's council.

The first vice chairman of the combined state and cooperative agroindustrial council is responsible for the performance of all agricultural work on time and with quality and the obtaining of the planned output, the rational utilization of material and technical resources, the transportation activity, the execution and efficient use of land-improvement facilities, the performance of earthwork with heavy equipment, and the investment activity. In addition, together with the other members of the council and the managements of the component units, he is responsible for the application of the measures for reducing the consumption of supplies and fuel.

Together with the chairman of the council and the other members of the council, he is responsible for the suitable use of specialists. He provides for the proper functioning of the activity of the executive bureau of the management council of the combined state and cooperative agroindustrial council.

The chief engineer of the combined state and cooperative agroindustrial council is responsible for the fulfillment of the plan targets for vegetable and animal



production in all component agricultural units of the council and guides, checks on and is responsible for the complete cultivation of the farmland, the performance of the work on schedule, the observance of the placement of the crops on the fields and the application of the prescribed technologies, the activity of chemicalization and of application of the program for irrigation of the crops, and the sensible use of the technical-material base. In addition, he helps the managements of the units to establish the order and priority of the work and the manner of doing it and to produce high-quality seeds. He coordinates the activity of the workers with tasks of guidance of vegetable agricultural production, within the units that process agricultural products, assigned to the council.

In fulfilling his duties, the chief engineer is helped by the zootechnician and the planner (technician), who have the following main responsibilities:

The zootechnician is responsible for the fulfillment of the plan targets for animal populations and products, the matter of executing on schedule the actions and measures for providing the fodder resources according to assortments, the reproduction and selection of animals, and the observance of the technologies for exploitation according to species and categories of animals in all component units of the council. In addition, he coordinates the activity of the workers with tasks of guidance of production, within the units that process animal products, assigned to the council;

The planner (technician) is responsible for the operational supervision of the fulfillment of the plan indicators in the component units of the council.

The chief economist of the combined state and cooperative agroindustrial council is responsible for the fulfillment of the plan targets in the economic and financial field and the strict observance of the legal provisions regarding the sensible administration of material and monetary assets, under the conditions of providing greater efficiency and financial equilibrium. He provides for the strict application of the new economic and financial mechanism and takes steps regarding the matter of complying with the approved rates of consumption of supplies and fuel and the approved standards for showing a profit in all component units.

### Section 3 Other Provisions

Article 19. Through the creation, in accordance with the legal norms, of production enterprises disensioned in accordance with the consumption needs in the zone, activities of industrialization and semi-industrialization of agricultural products, of processing and breadmaking and of production of mixed feed and other activities of processing and utilization of agricultural products are organized, on the basis of the plan, within the component state and cooperative agricultural units of the combined council.

The activity of construction, for achieving facilities in the investment plan of the council on the council's territory, and service activities are organized within the combined council or the component units. In addition, the activity of mechanization, of rationalization, seed production and supply for the needs of its own units, and operation of land-improvement facilities is organized in a unitary manner within the combined council.

The activities mentioned in this article are organized in accordance with the law, on the basis of the structural standards specific to each branch or field of activity.

Article 27. The component agricultural units of the combined council preserve their administrative autonomy, have income and expense budgets of their own and are plan titulars for the tasks that devolve upon them from the sole national plan for economic and social development and the state budget, for the performance of which each particular one is responsible.

Article 28. The council provides for the payment of the following rights from the state budget:

a) The pay rights due the specialists in the agricultural production cooperatives, the personnel in the centers for reproduction and selection of animals who perform the work of artificial insemination and the personnel with permanent activity on the council, except for the personnel with tasks of guidance of agricultural production mentioned in Article 19;

b) The allowances that are given to the cooperative members who are not paid by the state and who hold the positions of chairmen, vice chairmen gotten from production, farm chiefs and brigade chiefs in the agricultural production cooperatives.

Article 29. The financial activity of the combined state and cooperative agroindustrial council is achieved through the functional apparatus of the agricultural mechanization station in the council's composition.

Article 30. The agricultural mechanization station is the specialized unit of the combined state and cooperative agroindustrial council that, together with the state and cooperative agricultural units, organizes and provides for the performance of the agricultural work in the optimum periods and the work of maintenance and current repairs on tractors, equipment and agricultural machines.

The mechanization activity performed in the state and cooperative agricultural units is organized according to sections and brigades, in accordance with the structural standards approved for the activity of mechanization of agriculture. At the "Insula Mare a Brailiei" State Agricultural Enterprise, instead of mechanization sections, one mechanization sector is organized in each vegetable complex, in accordance with Decree No 65/1979.

The grades of organization in which the newly founded mechanization sections are put are stipulated in Appendix 5.\*

Article 31. The activity of the machine sector within the state agricultural units, except for the state enterprises for raising and fattening hogs, the state poultry enterprises, the state and cooperative economic associations and enterprises for hot-houses and the state agricultural enterprises that have complexes for cattle and sheep for fattening or complexes or at least three farms for milk cows or winemaking stations listed by the Ministry of Agriculture and the Food Industry, passes, together with the material base and the associated personnel, to the agricultural mechanization station in the composition of the combined state and cooperative agroindustrial council on whose territory the state agricultural unit has its headquarters.

\* The appendix has been communicated to the institutions involved.

Article 32. The model organizational structure of the agricultural mechanization stations is supplemented with a sector for maintenance, repairs and reconditioning, which is organized on the basis of the structural standards approved for the production shops and sections in the machine-building industry.

In the agricultural mechanization stations, the replacement of the position of production sector chief with the position of chief engineer and, in those put in the special grade of organization, with the position of technical and production deputy director, is approved.

The model organizational structure of the agricultural mechanization station is that stipulated in Appendix 6.\*

The sector for maintenance, repairs and reconditioning within the agricultural mechanization station is staffed with personnel in accordance with the quota approved for the machine sector in Decree No 400/1977.

The appendix to Article 2, Paragraph 2, and Article 20, Paragraph 3--the Activity of Mechanization of Agriculture--in Decree No 162/1973 is supplemented in accordance with the provisions of articles 30, 31 and 32 of the present decree.

Article 33. The duties and the mode of operation of the combined state and cooperative agroindustrial council are established by means of a statute approved by means of a decree of the State Council.

### Chapter III

#### Some Measures Regarding the Organization and Operation of Units

Article 34. On the date of the present decree, the trusts of the agricultural mechanization stations change their name to "agricultural mechanization trusts" and supplement their object of activity with the activities of chemicalization, operation of land-improvement facilities, production of equipment for agriculture and the food industry, and automotive transportation.

The trusts have subordinate to them: agricultural mechanization stations, the enterprise for operation of land-improvement facilities, the enterprise for specialized transportation for agriculture and the food industry, the machine enterprise for agriculture and the food industry, and centers for capital repairs, fabrication, installation and service.

The trusts, together with the specialized departments and the other specialized trusts, within the general directorate for agriculture and the food industry, establish the sanitary technologies according to pieces of work and the technical and economic indicators that result from them, for each activity of agricultural production, and, accordingly, the supply of mechanical resources needed by the mechanization shops and sections.

Article 35. The centers for capital repairs, fabrication, installation and service subordinate to the agricultural mechanization trusts are organized on the basis of the structural standards approved for the similar production sections and shops in

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\* The appendix has been communicated to the institutions involved.

the machine-building branch, in accordance with the provisions of Decree No 162/1973. The standard work formation consists of at least 10 persons.

The centers are organized through the takeover and with the maintenance of the grade of organization of the specialized centers and shops within the agricultural mechanization stations and of the activity of capital repairs on tractors, agricultural machines and equipment within the state agricultural units.

Article 36. The enterprises for operation of land-improvement facilities subordinate to the agricultural mechanization trusts organize, in the range of each combined state and cooperative agroindustrial council, sectors for hydroameliorative exploitation, within the hydroameliorative systems, for the maintenance and operation of land-improvement facilities and the application of watering on the irrigated land in the council's range.

Article 37. The sector for hydroameliorative exploitation is organized at a formation or shop level. Depending on the complexity of the work, the sector organized at a formation level can be run by a technician, subengineer or engineer.

The sectors organized at a shop level can be formed if they have in their structure at least four work formations of their own, set up, in accordance with the law, only within the hydroameliorative systems organized at a section level.

The sectors for hydroameliorative exploitation are subordinate both to the hydroameliorative system and to the combined state and cooperative agroindustrial council on whose territory they are organized.

The hydroameliorative system located on the territory of a county other than that in which the enterprise for operation of land-improvement facilities is located is also responsible for the operation and maintenance of land-improvement facilities to the agricultural mechanization trust in whose territorial range the hydroameliorative system is located.

The appendix to Article 2, Paragraph 2, and Article 20, Paragraph 3--the Activity of Operation of Land-Improvement Facilities--in Decree No 162/1973 is supplemented in accordance with the provisions of articles 36 and 37 in the present decree.

Article 38. The enterprises for operation of land-improvement facilities exercise the powers of investment recipients, for the land-improvement facilities established for the investment-supervision groups within the Ministry of Agriculture and the Food Industry, which cease their activity, and for the land-improvement facilities of the offices for land improvements and construction design in agriculture.\* The plan indicators corresponding to the investment-recipient activity, approved for 1980, and the associated personnel are taken over by the enterprises for operation of land-improvement facilities from the Economic General Directorate for Land Improvements and Construction in Agriculture and the offices for land improvements and construction design in agriculture.

\* By means of Decree No 168/1980, the offices for land improvements and construction design in agriculture were reorganized into "enterprises for earthwork equipment, land improvements, construction design and execution."



For the investment-recipient activity for land-improvement facilities, the enterprises for operation of land-improvement facilities are also responsible to the Economic General Directorate for Land Improvements and Construction in Agriculture within the Ministry of Agriculture and the Food Industry.

Article 39. The investment activity in the enterprises for operation of land-improvement facilities is organized on the basis of the structural standards approved by means of Decree No 135/1977, within the limit of the number of personnel and of the pay fund, approved for 1980 for the Ministry of Agriculture and the Food Industry--the Economic General Directorate for Land Improvements and Construction in Agriculture.

Article 40. The organizational structure of the research and production stations is supplemented with "the department for the activity of development of specialized production."

Article 41. On the date of the present decree, the trusts for horticulture mentioned in Appendix 7, having as an object of activity the uniform management and guidance of all horticulture, and the production, utilization and industrialization of vegetables, fruit and grapes within the counties or the municipality of Bucharest, respectively, are founded within some general directorates for agriculture and the food industry.

Article 42. The trusts for horticulture are put in the grades of organization stipulated in Appendix 7, Group IV of Branches.

Article 43. The trusts of state agricultural enterprises, the trusts for horticulture and the agricultural mechanization trusts meet their expenses by drawing shares from the subordinate units, which are approved by the management council of the general directorate for agriculture and the food industry.

Article 44. In the counties in which trusts of state agricultural enterprises or trusts for horticulture are not organized, one of the specialized enterprises, listed by the Ministry of Agriculture and the Food Industry, can also exercise, through its own apparatus, the powers that devolve the trust, with the director of the enterprise belonging to the collective leadership body of the general directorate for agriculture and the food industry.

Article 45. The activities of organization and records of land resources and the position of chief engineer for construction and hydroamelioration are eliminated from the organizational structure of the state agricultural enterprises and the trusts of state agricultural enterprises, there being amended accordingly Point 4 and the model organizational structures in the appendix to Article 2, Paragraph 2, and Article 20, Paragraph 3--the Department of State Agriculture--in Decree No 162/1973 and Decree No 6/1974.

Article 46. The number of personnel and the pay fund approved for 1980 for the county people's councils for the activity of advice, documentation, investment preparation and supervision, technological equipment and electric automation equipment for land-improvement facilities are transferred to the enterprises for operation of land-improvement facilities.



Article 47. Appendix 1 to Decree No 145/1974 on the Approval of the Structural Standards for the Units in Cooperative Agriculture, with the later amendments, is amended in Point 4 and is supplemented with Point 10, as follows:

"4. In the agricultural production cooperatives organized over at least two villages, a vice chairman gotten from production can also be employed.

"In the agricultural production cooperatives that have livestock farms, a vice chairman not gotten from production is responsible for the zootechnical activity, the fulfillment of the production plan, the providing of fodder resources, the fulfillment of the reproduction and selection program, the achievement of the planned animal populations, and the delivery of the products to the state supply."

"10. In the agricultural production cooperatives put in grades I and II of organization, in which the general assemblies have elected the chief engineer of the cooperative to the position of chairman, it is also possible to employ a state-paid agricultural specialist who shall hold the position of chief engineer.

"To the position of chairman of the agricultural production cooperative it is also possible to elect chiefs of the mechanization sections, who can hold both positions."

Article 48. The provisions of the present decree are applied within the limit of the number of personnel, the pay fund and the budgetary credits approved for 1980 for the Ministry of Agriculture and the Food Industry and the county people's councils and that of the municipality of Bucharest.

Article 49. The personnel who move from the units disbanded or reorganized to the units founded or reorganized in accordance with the provisions of the present decree are considered transferred in the interest of service.

Article 50. The personnel transferred in the interest of service or moved in the same unit to positions with lower pay levels, and the personnel who are retrained in order to perform a directly productive activity, as a result of the application of the provisions of the present decree, have the rights mentioned in Article 21 of Decree No 162/1973 on the Establishment of the Uniform Structural Standards for the Economic Units.

Article 51. The number of posts for employing the chief economists of the combined state and cooperative agroindustrial councils is provided through the takeover of 160 posts from the Bank for Agriculture and the Food Industry, 158 posts from the general directorates for agriculture and the food industry and 392 posts from budgetary units or those that are self-financed, subordinate to the general directorates for agriculture and the food industry.

The pay fund is provided by the units from which the number of posts is taken over.

Article 52. The Bank for Agriculture and the Food Industry performs the basic financial inspection in the cooperative agricultural units and assists the auditing commissions in carrying out the statutory tasks of inspection.

Article 53. The State Planning Committee and the Ministry of Finance, within 45 days after the decree goes into effect, will submit for approval the amendment of the plan

indicators according to titulars, with the influences that result and with the maintenance of the approved budgetary equilibrium, as a result of the application of the present decree.

Article 54. The management of the Ministry of Agriculture and the Food Industry can apply disciplinary penalties, under the conditions provided by law, to the specialists in the state agricultural units and the units for industrialization of agricultural products, including those in the general directorate for agriculture and the food industry.

Article 55. The special-grade and grade-I units founded by means of the present decree have the right to one automobile each meant for the transportation of persons on official business, in accordance with the criteria established by means of Decree No 277/1979 on Some Measures for the Rationalization of the Consumption of Liquid Fuel and the Economical Administration of the Fleet of Motor Vehicles.

Article 56. Appendices 1-7 are an integral part of the present decree.

Article 57. On the date of the present decree, Decree No 195/1976 on the Payment of the Director General of the County General Directorate for Agriculture and the Food Industry and the Amendment of the Uniform Structural Standards Specific to This General Directorate, an appendix to Decree No 162/1973, the appendix to Article 2, Paragraph 2, and Article 20, Paragraph 3, of Decree No 162/1973 referring to the general directorate for agriculture and the food industry in the counties, the Agrozooveterinary Inspectorate of the Municipality of Bucharest and the units subordinate to them, Decree No 13/1979 for the Amendment of Appendices to Decree No 162/1973 on the Establishment of the Uniform Structural Standards for the Economic Units--State Agriculture and the County General Directorate for Agriculture and the Food Industry--and any other contrary provisions are repealed.

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